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OVERVIEW

We are the leading company in the Macau IT solutions market. During our operating history, we have been dedicated to providing reliable, end-to-end and high quality enterprise IT solutions to customers which include globally renowned enterprises or bodies in TMT, gaming and hospitality and public sectors in Macau and had undertaken prominent IT projects for these customers, covering areas of both professional IT services and managed services. Further, we have been providing managed security service through our SOC for various Macau governmental bodies since 2019. We also provide standalone or extended IT maintenance services to customers, majority of which are customers of our professional IT services business and distribution business. In addition, we engage in the distribution and resale of hardware and software. We purchase IT hardware and software under our resale business for onward sales to customers of our enterprise IT solutions business (namely, customers of our professional IT services, managed services and IT maintenance and consultancy services businesses) on a standalone basis to fulfil their business needs. According to Frost & Sullivan, we ranked first in the IT solutions market in Macau in terms of revenue, with a market share of 25.8% in 2021, and during the Track Record Period, we were one of the few IT services providers in Macau with the technical ability and resources to provide comprehensive, end-to-end solutions to customers in Macau.

We began to provide enterprise IT solutions since 2010. The provision of enterprise IT solutions is our major business, which accounted for 65.6%, 69.1% and 73.9% of our total revenue, respectively, and 63.6%, 78.2% and 80.0% of our gross profit, respectively, during the Track Record Period. Our services and solutions under enterprise IT solutions business can be classified as follows:

- *Professional IT services:* We offer a wide array of integrated, end-to-end, enterprise-grade system integration and IT solutions and services, including designing our customer's overall IT infrastructure (including network, security and operational systems), assisting in or providing recommendations on procurement of hardware and the associated system, creating proof-of-concept to test the feasibility of the project design, executing, managing and coordinating the project, integrating the new IT infrastructure and system with our customer's existing operating environment, testing and optimising the system before delivery, and providing post-sales maintenance and technical support. We are well-known in the design, architecture and building up of total IT solutions for multi-functional environment for customers in various industry sectors in Macau. We provide total IT solutions accommodating our customers' integrated environment encompassing various functions such as resort complex offering accommodation and convention facilities.
- *Managed services:* To enrich our enterprise IT solutions and target those customers who entrust professional service providers with managing and monitoring their IT system, we offer managed services to match the evolving needs of our customer's business. Under this business, we act as part of the IT operational team of our customers and proactively monitor and manage our customers' devices, systems and IT infrastructure remotely through our management IT platform supported by our well-qualified engineers and our in-house developed software, and we may lease the required IT equipment and/or software which are incidental to the provision of the relevant managed services. In 2018, we set up our round-the-clock SOC (a centralised facility that monitors, detects, investigates and responds to cybersecurity incidents) in Macau, which is certified under the ISO 27001 and ISO 20000 standard.

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- *IT maintenance and consultancy services:* Our customers may elect to subscribe for or purchase extended maintenance services after the expiry of the warranty period of our post-sales maintenance and support or a standalone maintenance service for a fixed fee, which are charged mainly on annual basis. Extended maintenance services may also be required to be provided by us to customers for the products sold under our distribution business. We also offer IT consultancy and advisory services for a fixed service fee, and such services include attending on-site survey on our customer's premises with an objective to assist our customers in assessing their IT operational environment (for example, an assessment on the security aspect of the IT operational environment) and IT related compliance with government requirements.

To expand our business presence and capture business opportunities along the value chain, we engage in the distribution and resale of hardware and software in parallel with our enterprise IT solutions business. During the Track Record Period, our distribution and resale businesses in aggregate accounted for 34.4%, 30.9% and 26.1% of our total revenue, respectively, and 36.4%, 21.8% and 20.0% of our gross profit, respectively, of the same periods. Our distribution and resale businesses can be classified as follows:

- *Distribution:* We, as a distributor, partner with system vendors or their authorised distributor(s) in the sale and distribution of a selected range of hardware and the associated system relating to corporate mobility and cybersecurity solutions in Hong Kong, and pursuing their marketing and sales channel development pursuant to the distribution agreement, whilst looking after the logistics, procurement and after-sales requirements of our customers who are mainly downstream solution providers or resellers. As at the Latest Practicable Date, we were the authorised distributor of 11 system vendors and carried a total of 12 brands, among which, we (through Synergy CCL) were also the sole authorised distributor of Supplier J and Supplier K, two distinguished system vendors in Hong Kong, which in aggregate accounted for 2.0% and 1.1% of our total purchases in FY2020 and FY2021, respectively. The major brands we carried during the Track Record Period include Aruba, Trend Micro and Checkpoint, and the costs for procuring relevant products under these brands accounted for over 35.0% and 30.0% of our total purchases in FY2020 and FY2021, respectively.
- *Resale:* We, as a reseller, purchase hardware and software for onward sale to customers in Macau (which are mostly existing or previous customers of our enterprise IT solutions business) who place order with us on an as-needed basis because of their confidence in our sourcing network and the reliability of our customer services.

We take pride in our strong record of serving renowned customers. Our customer portfolio during the Track Record Period comprised renowned TMT companies, leading gaming and hotel brands, governmental bodies, education institutions, banks and financial institutions and other commercial customers in Macau. Our major customers during the Track Record Period include leading gaming and hotel brands such as Galaxy Entertainment Group Limited, Sociedade De Jogos De Macau, S.A. and Melco Resorts & Entertainment Limited, and they, in aggregate, contributed 28.1% and 37.2% of our total revenue in FY2020 and FY2021, respectively. Our strong track record is further evidenced by our established and collaborative relationships with our major customers which have two to over 10 years of relationship with us and they are prominent players in their respective industries or are governmental bodies, which often have stringent requirements on service providers.

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We are committed to delivering seamless, end-to-end solutions to customers. Our pre-sales and sales teams are actively involved in, and closely work with, our customers at different phases of the project. Our service level is further enhanced by our strong team of solution architects, solution experts and technical supervisors, and a majority of them held highly regarded industry and technology accreditations including VMware vExpert and Veeam Vanguard certifications, meaning that they are well qualified and accredited to perform specific technical tasks such as data centre virtualisation. In most of our projects, we are able to offer services by utilising our internal manpower and resources, particularly, our in-house design capability.

We place emphasis on innovating and evolving our solution offering by improving the technologies and software applications we adopted in our solutions and ongoing product development. During the Track Record Period, the focus of our product development has been the secondary development and enhancement of systems and applications which are being adopted in our solutions, such that they are able to address specific needs of our customers as well as to improve the related managed services. We are currently researching on building a big data portal with cross-border data exchange mechanism for enterprises in Macau and Guangdong. To reinforce our product development initiatives, we had entered into a framework cooperation agreement with the University of Macau (UM) in February 2021 to jointly establish a laboratory to research into areas on Smart Cities, use of big data, AI and cloud management services and to pull out resources to cultivate expert talents in these areas.

Going forward, our growth lies in our ability to capture opportunities by undertaking additional projects and to further develop and upgrade our enterprise IT solutions to encompass comprehensive and more diversified services and solutions as well as the ongoing research and development of our software and applications, in order to enrich our solution offering and to fulfil the demands of our target customers who are witnessed to have increasing trend in outsourcing IT functions to external service providers. Further, according to Frost & Sullivan, the continuous development of the Greater Bay Area especially in the areas of Fin-tech and e-commerce offers abundant growth opportunities for enterprise IT solutions providers in Macau. We are expected to benefit from various drivers in Macau and the Greater Bay Area including the implementation of government initiatives in promoting Smart Cities and IoT network, development of Fin-tech and e-commerce services, and increasing digitalisation in business activities, as all these will generate surging demand for IT solutions in the region.

Therefore, it is our business plan to continue to expand the portfolio of our enterprise IT solutions projects and strengthen our capacity of undertaking project of larger contract value, allocate more resources in the adjacent Greater Bay Area to grow our business, given its significant market potential, and roll out new IT solutions through our ongoing product and technical development efforts and collaboration with external research institutes. We believe that we are well-positioned to tap into the IT solutions market in the Greater Bay Area as we have strong market standing in Macau and enjoy competitive edge over our competitors as we already had rich experience in undertaking various projects for private enterprises and public bodies. See “Our Business Strategies” in this section for further details.

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OUR STRENGTHS

Our Directors believe that our success and future prospects are underpinned by a combination of our strengths, including:

We are the leading IT solutions provider in Macau

We have been operating in the IT solutions market for over 10 years and stand out as a market leader in Macau. According to Frost & Sullivan, in 2021, we ranked first in the IT solutions market in Macau in terms of revenue, with a market share of 25.8% in that year. During the Track Record Period, according to Frost & Sullivan, we were one of the few IT services providers in Macau with the technical ability and resources to provide comprehensive, end-to-end solutions to customers in Macau and to operate the only round-the-clock SOC in Macau with the ISO 27001 standard to deliver managed security services. Since 16 October 2019, we are also a member of, and, as at the Latest Practicable Date, the only company from Macau joining, the global Forum of Incident Response and Security Teams (FIRST), which is the premier organisation and a recognised global leader in security incident response with over 400 members worldwide. We received the Excellence Award for Small and Medium Enterprise from the Business Awards of Macau in 2019 acknowledging our remarkable performance and status as a Macau enterprise.

Our market standing is further evidenced by our strong record of serving renowned customers. Our customer portfolio during the Track Record Period comprised TMT companies, gaming and hotel brands, governmental bodies, education institutions, banks and financial institutions, most of which are prominent players or listed companies in their respective sectors or are public bodies, meaning that they often have stringent technical and qualification requirements on service providers. In particular, we are well-known in the design, architecture and building up of total IT solutions for multi-functional environment for customers in various industry sectors in Macau and had undertaken prominent IT projects for these customers, covering areas of both professional IT services and managed services. Further, we have been providing managed security services through our SOC for various governmental bodies since 2019. Our business relationship with our five largest customers during the Track Record Period spanned from two to over 10 years.

Our strong track record of serving renowned customers and our solid relationship with our major customers have demonstrated our customers' confidence in us as well as our ability to offer solutions that could fit their sophisticated operational environment, which in turn, have been translated into the word-of-mouth reputation in the industry. With our market standing and reputation in the IT solutions market, we are well-positioned to further leverage our branding and expand our business in Macau and its adjacent regions, particularly the Greater Bay Area.

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We deliver reliable, end-to-end and high quality enterprise IT solutions to our customers

Our vision is to offer enterprise IT solutions that will empower our customers to achieve optimal growth. To that end, capitalising on our strong track record as well as our in-depth technical knowledge, we provide reliable, end-to-end and high quality enterprise IT solutions that closely address the needs and industry-specific requirements of our customers as evidenced by the following:

In-depth involvement of our pre-sales and sales teams

We designate representatives from the pre-sales and sales teams for each major project and they are actively involved in and closely work with our customers at different phases of the project, from overall IT infrastructure design to post-sales maintenance and technical support. In particular, we interact with and engage our customers at early stages of projects and offer pre-sales development and assistance to them. Our pre-sales team also works with our technical staff on overall project management. We require our pre-sales team to attain technical qualifications so that they are able to effectively advise and engage our customers and communicate with our solution architects to roll out solutions that are relevant to the business needs of our customers.

End-to-end and reliable IT solutions

In most of our projects, we are able to offer our end-to-end solutions and services by utilising our internal manpower and resources, particularly, our in-house design capability, without relying on the technical support or assistance of external parties such as our suppliers or system vendors. Our service level is further underpinned by our strong engineering and technical support team which, as at 31 December 2021, comprised 85 members, and a majority of them held highly regarded industry and technology accreditations, covering specific technical areas such as networking, virtualisation and network security. At early stage of the projects, where our customer requires, our solution architects design, architect and optimise our customer's IT infrastructure, including verifying high level design requirement, converting high-level design concept into practicable solutions, advising on the required configuration to achieve our customers' desired results, formulating, managing and executing the implementation plan that is efficient with minimum disruption to our customer's operation and managing different project control points. Further, our engineers from the Professional Services Department are responsible for providing assistance at the post-sales stage to enable our customer to manage, optimise and modify the system on an ongoing basis and to integrate the same into the operational environment, review outcome and identify areas that would need future improvement. Our team has rich experience in designing the overall IT infrastructure, which, together with the level of involvement of our pre-sales team, distinguishes ourselves from our peers.

High quality after-sales services

For our enterprise IT solutions, we place emphasis on delivering high-quality, professional after-sales services with focus on real-time monitoring, incident diagnosis, rectification, status update, follow-up and reporting and such services are supported by our engineering and technical support team who are accessible by our customers 24/7. We had a well-developed incident triage procedure and escalation workflow by which we deployed our support engineers to provide timely supporting and troubleshooting services according to the incident categorisation and severity and escalate the issue for higher level technical support where needed. For customers of our

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distribution and resale businesses, we as a distributor or reseller have direct access to after-sales support by liaising with the system vendors or their authorised distributors and arranging for the replacement and/or return of faulty or defective products on a timely basis.

Our commitment to and competence in delivering reliable, end-to-end and high quality enterprise IT solutions enable us to win contracts awarded by our customers and gradually expand our customer base. During the Track Record Period, we provided our services and products to over 330, 340 and 370 customers, respectively, among which over 230 customers each year during the same periods were recurring customers (i.e. customer which engaged us to provide the solutions and services or purchased from us for more than one financial year during the Track Record Period).

We have proven ability to develop customised solutions and implement latest innovative technologies as well as cloud-based services to meet the evolving market demand

We stay abreast of the latest technological and market trends and are committed to provide innovative and customised solutions to our customers. We are well supported by our product development team which consisted of 30 highly skilled personnel as at 31 December 2021 with in-depth technical and product knowledge and extensive experience in the IT solutions market, ranging from data networking, software development and infrastructure to virtualisation and cybersecurity. We have enhanced certain systems and applications on the market through secondary development to complement our provision of managed services. See “Product Development” in this section for further details. We have also gained direct access to the latest product knowledge and technological development to evolve and enrich our solution offering leveraging on our direct engagement and cooperation with the system vendors as well as external research institutes, such as University of Macau (UM). Our sensitivity to technological innovation and technical expertise allow us to respond to our customers effectively, roll out innovative solutions that are relevant to our customer’s business need, and to keep ourselves ahead of competition.

With the adoption of emerging technology, the information exchange via the internet increases data exposure. This has heightened data sensitivity and increased cyber threats and risks in a number of sectors, such as gaming, financial services and telecommunication, according to Frost & Sullivan. To address the demands of our customers who are looking for comprehensive, secure and round-the-clock cybersecurity solutions, as part of our managed services, we have been operating our own SOC in Macau since 2018, which enable us to become part of the IT operational team of our customer, and we have been providing proactive, round-the-clock and real-time monitoring managed security services for customers in Macau since 2019. As at the Latest Practicable Date, we had a designated team of 21 employees responsible for continuously monitoring our customers’ network and operating environment for the purpose of detecting, analysing, investigating, responding to and preventing cybersecurity incidents. According to Frost & Sullivan, as at the Latest Practicable Date, we were one of the few IT service providers in Macau to have its own SOC, which is certified under the ISO 27001 standard, and able to offer such managed security services. The launch of our own SOC is a testament to our system security and incident management capabilities.

According to Frost & Sullivan, organisations tend to adopt cloud-based technology to store data which could be accessed by all employees to enhance operational efficiency, and this creates the needs for data storage on cloud. Also, value-added services such as professional data protection and cybersecurity can be provided by cloud service solution providers and as a result, outsourcing of IT solutions services is becoming the mainstream trend. We are well aware of such

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market trend and have included cloud solutions in our overall solution designs, which have enriched our solution offering and strengthened the scalability of our solutions to cater for the ever-changing operational environment and technical requirements of our customers.

We have solid partnership with globally renowned system vendors

As an integral part of our enterprise IT solutions, we procure or advise our customer on the procurement of hardware, system and components necessary for the implementation of the project design. On the other hand, we, as a solution provider, have the overall responsibility of ensuring that the hardware, system and components used or to be used will best suit our customer's operational environment and business requirements. To this end, we maintain a close contact with our suppliers or the system vendors as a way to equip ourselves with the latest information on their product offering and technical development which are relevant to the customisation and localisation of our customer's IT infrastructure and system, work with them on product demonstration, share our and our customer's feedback on the performance of their products, and follow-up with them on post-sales maintenance and support.

Our business relationship with our five largest suppliers during the Track Record Period ranged from three to 15 years (including the period before the Acquisition of Synergy CCL). As a result of our ongoing collaborative relationship with them and our relentless efforts in delivering end-to-end and reliable solutions, which in turn has generated business to our suppliers and system vendors, we have been recognised by a number of our suppliers or system vendors as their close business partners, including:

- Partner of the Year Macau Award FY20 of Aruba in 2021;
- Gold Partner of Huawei in 2021;
- Partner of the Year Macau Territory of NetApp in 2021;
- FY22 Platinum Partner of Veritas in 2021;
- Top Partner of the Year of Aruba in 2020;
- Best Performance Partner of H3C in 2020;
- Principal Partner of VMWare in 2020; and
- Partner of the Year — Highest Growth (Hong Kong & Macau) of NetApp in 2019.

For details of the accreditations we have obtained from our suppliers or system vendors, see “Certifications, Awards and Recognition” in this section. Such accreditations and recognition demonstrate the close and collaborative relationships between our suppliers or system vendors and us. By being their close and well trusted business partners, we are qualified to cooperate with them to provide relevant product trainings, presentations and demonstrations to our customers.

To expand our business presence and capture business opportunities along the value chain of the IT solutions industry, in October 2017, Mr. Chao, our Controlling Shareholder, acquired 100% shares in Synergy CCL, a well-established distributor of mobility and security related hardware and the associated system in Hong Kong (the “**Acquisition of Synergy CCL**”). Before the Acquisition of Synergy CCL, Synergy CCL was one of our suppliers of mobility and cybersecurity

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related products for our enterprise IT solutions project. Following the Acquisition of Synergy CCL, the business of Synergy CCL was integrated into the business of our Group's and we operated the enterprise IT solutions business in parallel with the distribution business.

We consider that the Acquisition of Synergy CCL has brought us the following advantages: (i) we are able to leverage on the established sourcing network of Synergy CCL to extend our reach to its system vendors and identify potential business partners for future IT solutions project, especially in the area of networking and cybersecurity, thereby enriching our solution offering; (ii) we have enhanced control over the supply chain and enjoy synergy in our enterprise IT solutions business as and when the project involves procurement and application of related hardware and system for building of network infrastructure and security system; (iii) we have gained direct access to the talent pool of Synergy CCL equipped with strong product knowledge and first-hand market intelligence such that we are able to roll out customised solutions and better advise our customers on the related project design and implementation; (iv) we are able to identify potential customer groups, introduce our product portfolio and develop cross-selling opportunities among those who may need our services and solutions across different businesses; and (v) through cooperation with our suppliers or system vendors in launching sales and marketing activities under our distribution business, we are able to increase our overall visibility and business profile.

The IT solutions market is experiencing continuous growth, and we are well-positioned to capture growth opportunities and tap into the regional market of the Greater Bay Area

According to Frost & Sullivan, driven by the rising application of information technology and digitalisation among all industries in Macau, IT solutions market (comprising trading and distribution of IT products and provision of professional services) in Macau has increased from MOP1,636.6 million in 2016 to MOP1,950.8 million in 2019. The drop in 2020 was due to the slowdown of economic activities during the COVID-19 outbreak. With rising government expenditure on information and communications technology, public sector of IT solutions market has increased from MOP569.1 million in 2016 to MOP613.5 million in 2019. Private sector has also shown a growth from MOP1,067.5 million in 2016 to MOP1,337.3 million in 2019. The growth of IT solutions market in Macau was supported by the continuous development of professional services including supply and installation, managed services and maintenance which increased from MOP752.8 million in 2016 to MOP907.1 million in 2019. Meanwhile, trading and distribution of IT products, which took up a larger share of the IT solutions market, also witnessed a growth from MOP883.8 million in 2016 to MOP1,043.7 million in 2019.

The growth of the Macau IT solutions market was and is expected to continue to be driven by the rising investment in digitalisation of enterprises and other favourable factors such as the promotion of smart technology into gaming and hospitality sector, increasing popularity of outsourcing of IT solution by enterprises to increase operational efficiency, the development of local telecommunication, proliferation of IoT and cloud technologies, and increased infrastructure requirements for emerging technology adoption as well as supportive governmental policies to build up smart urban management, which will further promote the demand for IT solutions in Macau, according to Frost & Sullivan.

In addition, the government initiatives in recent years to promote business interactions and integration with, and the rapid development of, the Greater Bay Area presented significant opportunities to Macau IT solutions providers to extend the geographical reach of their services to such market. The IT solution market in the Greater Bay Area is massive. According to Frost & Sullivan, the revenue of information industry in the Greater Bay Area recorded a strong increase from RMB546.5 billion in 2016 to RMB1,257.6 billion 2021, at a CAGR of 18.1%. Therefore, we

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are expected to benefit from various drivers in Macau and the Greater Bay Area, including the implementation of government initiatives in promoting Smart Cities and IoT network, development of Fin-tech and e-commerce services, and increasing digitalisation in business activities, as all these will generate surging demand for IT solutions in the region. With our comprehensive strengths mentioned in this section, we have the potential to further leverage our market standing and seize business opportunities in Macau and its adjacent regions, particularly in the Greater Bay Area.

We have an experienced and visionary management team leading a technical team with a high caliber and a proven track record

Our management team, led by our executive Directors, has extensive experience in the IT solutions industry and has played a key management and leadership role in the development of our Group. Our Chairman, chief executive officer and executive Director, Mr. Chao, has more than 18 years of extensive experience in the IT industry and he is responsible for the overall management and strategic development of our Group. Our other executive Directors and members of our senior management have an average of over 10 years' experience in the IT industry. For further biographical details of our management team, see "Directors and Senior Management" in this prospectus.

With the experience of our executive Directors, who are, in turn, supported by our experienced senior management team, we have developed a strong presence in the IT solutions market in Macau. Also, our engineering and technical support team made up of around 45.7% of our total number of staff as at 31 December 2021. In particular, we have four solution architects, two solution experts and 12 technical supervisors, who have in-depth experience in software and hardware development and integration, and they possess more than five years of experience in system infrastructure, networking and cybersecurity and project management and IT solutions design. Most of them have also obtained professional certifications issued by well-known software and hardware companies on areas including virtualisation infrastructure technology, back-up technology and networking technology. Also, our solution experts are both highly regarded in their respective expert areas and one of them has his own publications on the specific technical discipline he excels in. The capability of our management team coupled with the technical knowhow of our pre-sales and professional services team enable us to effectively engage with our customers at early stage of the project design and planning stage and to develop customised IT solutions for our customers based on their specific requests and technical requirements. We believe that this is crucial for developing and maintaining collaborative and long-term customer relationships.

OUR BUSINESS STRATEGIES

Building on our competitive strengths, we intend to pursue the following strategies to maintain our leading position, drive our growth and extend our geographical presence going forward:

Expanding the portfolio of our enterprise IT solutions projects and strengthening our capacity for undertaking enterprise IT solutions projects of larger contract value

We distinguish ourselves from our peers in terms of our experience in undertaking IT solutions projects for renowned customers. As disclosed in "Our Projects" in this section, during the Track Record Period, we had 50, 62 and 65 contracts of enterprise IT solutions that carried awarded contract value of over HK\$1 million and accounted for 43.9%, 35.6% and 35.2% of our

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total revenue recognised during the same periods. Due to higher technical complexity and specifications of the hardware and software required to be used in the project, we are able to enhance our corporate profile and showcase our technical capabilities via undertaking projects of large contract value. Our ability to expand our project portfolio and our capacity of undertaking projects of larger contract value are vital to our financial performance and future growth.

It is expected that the IT solutions industry in Macau and the adjacent regions will continue to have positive market outlook. According to Frost & Sullivan, the IT solutions market in Macau has shown a continuous growth from MOP1,636.6 million in 2016 to MOP1,950.8 million in 2019. The market size of IT solutions market in Macau is anticipated to rise at a CAGR of 8.3%, from MOP1,931.1 million in 2022 to MOP2,653.2 million in 2026. Public sector and private sector are forecasted to grow with CAGRs of 7.9% and 8.5% respectively from 2022 to 2026. In light of the increasing application of information technology and digitalisation among all industries in Macau, it is expected that the IT solutions market in Macau will continue to prosper, thereby driving the demand for IT solutions services.

In addition, the IT solutions market in the Greater Bay Area is massive. According to Frost & Sullivan, revenue of information industry in the Greater Bay Area recorded a strong increase from RMB546.5 billion in 2016 to RMB1,257.6 billion in 2021, at a CAGR of 18.1%. Moreover, various government initiatives in promoting smart cities and IoT network, development of Fin-tech and e-commerce services, increasing digitalisation in business activities and the rapid economic development of the Greater Bay Area are expected to present significant opportunities for Macau IT solutions providers to extend the geographical reach of their services to such promising market. As a result, we will continue to pursue and capture business opportunities in our target markets in order to consolidate our market position and increase Shareholders' return.

On the other hand, due to our business nature, for enterprise IT solutions projects, we normally are required to incur upfront costs at the early stage of a project, which normally cover procurement costs of the required hardware and the associated system, our staff cost and subcontracting fee (where applicable), and we are entitled to issue invoice only after meeting the relevant project milestone which is normally fixed by reference to a certain amount of work completed by us. For contracts of enterprise IT solutions awarded by our major customers during the Track Record Period, such upfront costs represented 12% to over 90% of the total awarded contract value. During the same period, the average percentage of upfront costs (excluding staff cost) out of the total awarded contract value of our enterprise IT solutions projects with awarded contract value of HK\$1 million or above was 26.5%. This is also in line with the observation of Frost & Sullivan, which suggested that, based on its interviews with independent market participants including IT solutions providers and customers in Macau and Hong Kong as well as industry data obtained from publicly available sources, the upfront cost of IT solutions projects covering procurement costs of the required hardware and the associated systems and subcontracting fee in the industry generally ranges from 15% to 30% of the contract value. Further, the amount receivable by us upon meeting each project milestone may be different under each contract. For large-scale projects with customers in the gaming and hospitality sector, up to 60% to 80% of the total awarded contract value may only be payable after the user acceptance testing, which is generally performed 14 to 18 months after the project commencement date. During the Track Record Period, the period after project completion and before user acceptance testing generally ranged from seven weeks to 35 weeks. In addition, during the Track Record Period, we normally granted a credit period of up to 30 days from the date of issuance of our invoice to customers for settlement of our bill and our customers may need to go through internal procedures for approving settlement. On the other hand, our major suppliers during the Track Record Period granted us credit terms ranging from 30 to 90 days. Taking into account the fact

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that our performance obligation is normally assumed before the scheduled billing date, which gives rise to the contract asset, during the Track Record Period, our average trade receivables and contract assets turnover days were 103 days, 110 days and 144 days, which were longer than our average trade payables turnover days of 71 days, 86 days and 83 days, respectively, for the same periods.

As a result of the foregoing and the cashflow mismatch arising from the time lag between our payment to suppliers and receipt of payment from customers at the initial stage of our enterprise IT solutions projects as well as the creation of contract assets as we provided services ahead of the agreed payment schedules and therefore invoices were yet to be issued to our customers at that time, before commencement of our enterprise IT solutions projects, we are required to reserve sufficient cash for the expenses in relation to the upfront costs of such project and our cash position constraints the number and size of projects which we can undertake at the same time due to our limited resources. In addition, we are required to maintain sufficient liquidity in light of our capital requirement from time to time to support other existing and pipeline projects, and our daily operation. As at the Latest Practicable Date, we had backlog of our contracts of enterprise IT solutions with a closing value of HK\$247.0 million. For details on our backlog of our contracts of enterprise IT solutions, please see “Our Projects — Movement of backlog” in this section.

After Listing, whilst we will continue to adopt a prudent and selective approach to bidding or accepting new projects by reference to our then capital requirement, cash flow position, payment terms offered and profitability of the project, we will endeavour to enlarge our capacity for securing new enterprise IT solutions projects especially those which are sizable, and for satisfying the upfront costs requirement of our existing enterprise IT solutions projects by strengthening our financial position and available financial resources, with a view to capturing emerging business opportunities while maintaining a healthy cash position. As such, additional funds are vital to our business expansion and the Global Offering would provide us with an important capital base to pursue long-term growth and achieve our business objectives.

To manage our business objectives to expand our project portfolio, we intend to utilise HK\$31.9 million or 30.4% of the net proceeds from the Global Offering for wholly or partly funding the upfront costs (excluding the staff cost) of two enterprise IT solutions projects which are of large contract value (above our average contract value of enterprise IT solutions projects we carried out during the Track Record Period), and both of them will commence in or around mid-2022 (the “**Selected Projects**”), details of which as at the Latest Practicable Date are set out as follows:

Selected Projects	Area of services covered	Customers	Location of project	Expected commencement period (Note 1)	Expected project period	Contract value	Upfront costs to be incurred for the financial year ending 31 December (Note 2)		Status as at the Latest Practicable Date
							2022	2023	
1	Design and deployment of data network infrastructure and surveillance network for the expansion of a casino resort and the development of new hotel towers in Macau (the “New Cotai Resort Hotel”)	Customer D (Note 5)	Macau	Mid-2022	12 months	(HK\$ million) 81.8 (Note 3)	(HK\$ million) 12.5	40.0	Contract was signed on 17 January 2020
2	Deployment of server and storage services for the New Cotai Resort Hotel	Customer D	Macau	Mid-2022	12 months	50.0 (estimated) (Note 4)	14.5	19.3	Contract was signed on 13 August 2021 (Note 6)
Total:						131.8	27	59.3	

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Notes:

1. The expected commencement period is determined with reference to our Directors' judgment or estimation. Based on our verbal communication with Customer D, the initial construction timeline of phase three and phase four of the New Cotai Resort Hotel had been delayed due to the outbreak and prolonged impact of COVID-19 and hence, the commencement dates of the Selected Projects (which constitute part and parcel of phase four of the New Cotai Resort Hotel) had been consequently postponed. Despite the reoccurrence of COVID-19 outbreak in July to August 2021, as at the Latest Practicable Date, based on the publicly available information and our verbal communication with Customer D, we had not been notified of any decision of Customer D to further change the schedule for completing the building construction work of phase four of the New Cotai Resort Hotel that would affect the work under the Selected Projects and hence any consequential change to their respective commencement periods. As at the Latest Practicable Date, we had already commenced discussion with Customer D on the design of the IT infrastructure under phase four of the New Cotai Resort Hotel. Assuming no further adverse development of COVID-19 in Macau and barring unforeseen circumstances, the relevant work under the Selected Projects is expected to commence in or around mid-2022, which will involve finalisation of the project design, followed by project implementation, required site work after topping out of the building construction of phase four of the New Cotai Resort Hotel, and testing and hardware delivery installation. Based on our verbal communication with Customer D, the grand opening of the New Cotai Resort Hotel was set to take place in or around 2024. Notwithstanding the above, the actual project commencement period may be adjusted by the customer due to any subsequent change in project requirements as well as any commercial decision of the customer to align the timing of the opening of the New Cotai Resort Hotel with the prevailing market condition in light of any possible reoccurrence of COVID-19 outbreak, which is beyond our control.
2. The amount of upfront costs for each Selected Project is calculated with reference to the bill of materials included in the contract and/or tender documents we submitted for the respective project which set out the number and types of the required hardware and the associated systems to be procured for Customer D under each Selected Project. Such amount is further allocated to each of the financial years ending 31 December 2022 and 2023 with a ratio of 4:6 based on the estimated percentage of contract value payable by Customer D during the same period. No expenses or revenue for the Selected Projects had been recorded during the Track Record Period and up to the Latest Practicable Date.
3. This amount represents the initial contract value. Based on our Directors' past experience, it is expected that such amount will be adjusted to approximately HK\$92.0 million at the time of project commencement to cater for the modification of project design and cost of materials.
4. The contract value is estimated with reference to the contract value of project with similar scale and the bill of materials submitted in the tender proposal.
5. As more particularly disclosed under "Industry Overview — Market Size of Enterprise IT Solutions in Macau", the outbreak of COVID-19 is expected to bring limited impacts to the gaming and hospitality sector in Macau in the long run due to the fact that the effect of the COVID-19 pandemic has gradually subsided in Macau following the gradual relaxation of the border control and the resumption of business activities. Furthermore, the gross gaming revenue in Macau increased from MOP3,317 million in second quarter of 2020 to MOP5,077 million in third quarter of 2020. The growth continued and the gross gaming revenue in Macau further increased from MOP21,836 million in fourth quarter of 2020 to MOP25,381 million in the second quarter of 2021, as a result of the rising number of visitor arrivals during the same period. Given the above, our Directors believe that the steady growth of the gaming and hospitality sector in Macau would continue to drive the demand for IT solutions services in the region in the future.
6. The relevant work constitutes part and parcel of phase four of the New Cotai Resort Hotel which we have submitted a tender proposal in respect of the entire project (including the relevant work under phases three and four) tendered by Customer D. A contract has already been signed between us and Customer D in respect of the relevant work under phase three of the New Cotai Resort Hotel and we have already commenced the work required for such phase of the project. For the relevant work under phase four of the New Cotai Resort Hotel tendered by us as set forth under "Area of services covered" in this table, details of the project design and contract value will be finalised and the contract is expected to be signed prior to the commencement of the relevant work. We and Customer D are in the course of discussion of the contract details of the Selected Projects.

With such allocation of net proceeds from the Global Offering, our financial position would be further strengthened and we would have stronger capacity of undertaking more projects and projects with a larger contract value, so as to continue to drive our long-term business growth.

Capturing business opportunities in the Greater Bay Area by (i) expanding the geographical reach of our enterprise IT solutions business; and (ii) establishing an integrated operational centre for the provision of managed services.

(i) Expanding the geographical reach of our enterprise IT solutions business

Market landscape and potential business opportunities in the Greater Bay Area

As more particularly disclosed under “Our Business Strategies — Expanding the portfolio of our enterprise IT solutions projects and strengthening our capacity for undertaking enterprise IT solutions projects of larger contract value” above, according to the F&S Report, the IT solutions market in the Greater Bay Area is massive and has experienced a rapid growth in recent years. We believe, such market size and growth rate offer abundant opportunities for IT solutions providers in Macau who possess advanced knowledge about the latest technological developments and available products over the world for rolling out customised solutions, in-depth experience in applying a great diversity of hardware and software from different suppliers during project execution, and proven track record of serving globally renowned customers with high service and technical standard, to expand their footprint to the regions adjacent to Macau.

The sustainable development of the IT solutions market in the Greater Bay Area is supported by favourable government policies, including the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區發展規劃綱要) issued by CPC Central Committee and State Council in February 2019, which stipulated, among others, (i) the objective of strengthening the construction and development of technological innovation in the Greater Bay Area; (ii) further strengthening the construction of major technological infrastructure, cross border data exchange platforms and cutting-edge research and development capabilities in the Greater Bay Area; (iii) strengthening the protection of intellectual property rights and cultivation of professional talents; and (iv) encouraging the development of cross-border e-commerce business and cooperation of financial and research institutions and technology companies in Zhuhai, Macau and Hong Kong. Under such plan, the Greater Bay Area, consisting of Hong Kong, Macao, Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing, will be further developed as a strategic economic zone in the PRC.

The expansion of Macau enterprises into the Greater Bay Area is also supported by a general plan for building a Guangdong-Macau In-depth Cooperation Zone in Hengqin issued by the CPC Central Committee and the State Council on 5 June 2021. Under the plan, enterprises that are conducive to Macau’s economic diversification, including IT solutions, will be eligible for a reduced Corporate Income Tax rate of 15%. On the other hand, Guangdong province will launch a pilot program to recognise professional qualifications issued by the Macau SAR to ensure a smooth flow of talent in the region. The Guangdong-Macau In-depth Cooperation Zone planned for neighbouring Hengqin will focus on four sectors to facilitate the industrial diversifications of Macau from gaming, including, among others, technology and high-end manufacturing. According to Frost & Sullivan, the cooperation zone will become an important stop for the innovation and technology drive in the Guangdong-Hong Kong-Macau Greater Bay Area. The development of the industries in Hengqin would, therefore, increase the number of enterprises in the cooperation zone, which in turn increase the demand for IT solutions in the near future. As advised by Frost and Sullivan, there will be an increase in demand for IT solutions services due to closer economic ties and business development and cooperation opportunities among different cities and municipalities in the Greater Bay Area. As such, it is vital for us to further grow our business through tapping into the market of the Greater Bay Area and capture such upcoming business opportunities when they arise.

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In particular, with the strengthening efforts of the local governments in the development of the IT industries in the Greater Bay Area, revenue of information industry in local markets such as Hengqin and Nansha have shown strong increase from RMB119.4 million and RMB4,567.1 million in 2016 to RMB295.1 million and RMB11,244.2 million in 2021, at CAGRs of 19.8% and 19.7%, respectively, according to Frost & Sullivan. Located at the centre of the Greater Bay Area, Nansha plays an essential role in boosting innovation and technology industry in the area, as well as deepening cooperation between Guangdong and Hong Kong and Macau to jointly develop logistics, tourism, financial-leasing and cross-border e-commerce industries in the years ahead. The Nansha free trade zone also serves as Guangdong's gateway in participating in the construction of the Belt and Road Initiative, promoting technology innovation, advanced manufacturing, international trades, shipping logistics and marine manufacturing. In particular, the supportive policies of the free trade zone status of Nansha include pilot financial reform and innovation, such as providing financial incentives to the world's top enterprises and listed enterprises. With the rapid development and promotion of free trade zone which have translated into growth opportunities and demand for IT solutions in Nansha, revenue of information industry in Nansha is expected to increase from RMB13,283.3 million in 2022 to RMB25,445.6 million in 2026 at a CAGR of 17.6%. According to Frost & Sullivan, the operational plan for the "siege of cities and villages" in Nansha District and the annual "construction drawing" for the "14th Five-Year Plan" construction involves a total of 202 key projects with a total investment of RMB626.5 billion, with an annual planned investment of RMB91.1 billion. In Nansha, 59 major infrastructure projects are scheduled in 2021, involving a total investment amount of RMB266.2 billion and an annual investment amount of RMB27.4 billion. Based on the estimation of Frost & Sullivan, in 2021, there were over 500 market participants in Nansha and the IT solutions market in Nansha accounted for 0.9% of the overall Greater Bay Area market in terms of revenue. The number of staff of the top 20 market participants is generally more than 100 and they usually engage in the provision of design, supply, integration, operation and maintenance of IT systems, as well as managed services, whereas the number of staff of the majority of the market participants is less than 30 and they mainly engage in the provision of supply and integration of IT systems.

Hengqin, a city located at the entrance of the Greater Bay Area and connected with the Hong Kong-Macau Road and the Hong Kong-Zhuhai-Macau Bridge, has also shown rapid development and created surging demand for IT solutions in recent years. Hengqin is a cultural and educational opening-up pilot zone and international business, service, recreational, and travel base and developing tourism, leisure, healthcare, commercial and financial services, culture, science, education, and hi-tech industries. The free trade zone also advocates Macau's economic diversification through non-gaming elements and strengthened regional cooperation. Various supportive government policies have been launched to promote the growth of the information and technology industry, particularly the AI industry, such as the establishment of the Hengqin Advanced Intelligent Computing Center through which local AI enterprises and institutions will be subsidised. These supportive government policies would promote the AI industry and be translated into growth opportunities for the related IT solutions. Moreover, according to Frost & Sullivan, to seize growth opportunities in Hengqin, many enterprises have moved their headquarters to Hengqin, including renowned IT enterprises such as Alibaba and Google. Up to 2019, 45 Fortune 500 companies and 73 companies from the China Fortune 500 companies have settled in Hengqin, with a total investment of over RMB500 billion. Macau and Hengqin are increasingly integrated with many Macau enterprises, hotels, and government agencies launching expansion projects in Hengqin, which will further drive investment in IT infrastructure and digital services, and in turn, the demand for IT solutions in the region. According to the F&S Report, revenue of information industry in Hengqin is expected to reach RMB795.5 million in 2026 at a CAGR of 21.9% from 2022 to 2026. According to Frost & Sullivan, the number of qualified construction contractors in Zhuhai, where Hengqin is situated, amounted to 510 in 2020, at an annual growth rate of 26.6%,

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and the gross value-added of the construction industry in the Zhuhai reached RMB24.7 billion, at an annual growth rate of 8.9%. In 2020, the number of newly started construction projects in Zhuhai was 241, with investment amount of RMB91.6 billion. In 2020, the total investment amount of major construction projects in Zhuhai amounted to RMB195.6 billion. Based on the estimation of Frost & Sullivan, in 2021, there were over 100 market participants in Hengqin and the IT solutions market in Hengqin accounted for 0.02% of the overall Greater Bay Area market in terms of revenue. The number of staff of the top 10 market participants is generally more than 50 and they usually engage in the provision of design, supply, integration, operation and maintenance of IT systems, as well as managed services, whereas less than 10 of them have more than 50 staff and they mainly engage in the provision of supply and integration of IT systems.

In light of the market size of and various drivers in the Greater Bay Area and the proximity of the Greater Bay Area to our headquarters, we have been proactively studying the market potentials and exploring or consolidating business network in the region in order to prepare for our planned expansion. As disclosed in “History, Reorganisation and Corporate Structure — Pre-IPO Investments” in this prospectus, in March 2021, we completed the Pre-IPO Investment with DHQ, one of our Pre-IPO Investors. DHQ is an investment company and a wholly-owned subsidiary of 珠海大橫琴集團有限公司 (Zhuhai Da Heng Qin Group Limited*) (“**Zhuhai DHQ Group**”), which is in turn owned by 珠海市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of Municipal People’s Government Zhuhai City*) and 廣東省財政廳 (Department of Finance of Guangdong Province*) as to 90% and 10%, respectively. Zhuhai DHQ Group have established track record in managing the state-owned assets of the Hengqin New District government and real estate development in Hengqin. Through the market intelligence of Zhuhai DHQ Group and its business referrals, we are proactively identifying business opportunities from local enterprises in Hengqin which would require professional IT services such as digitalisation, virtualisation and cybersecurity services for revamping their own IT or system infrastructure or digital transformation and innovation of their operations.

As at the Latest Practicable Date, based on our study and the information shared by DHQ, there were 12 ongoing building or construction projects in Hengqin, which we believe, would require IT services and solutions in respect of the design and implementation of IT infrastructure and security systems and data network equipment within one year to three years based on the estimated completion time of those projects, with the estimated budget to be allocated to IT solutions services ranging from RMB4.4 million to RMB1,200.0 million and on average of RMB184.9 million. Those projects primarily relate to the development of lands and properties involving (i) three phases of science park which comprise commercial and residential buildings, hotel complexes and community facilities such as health centers, kindergartens and carparks; (ii) two international data centres; (iii) residential and commercial building complexes; and (iv) a hospital and related accommodation buildings. Depending on the completion timeline of those construction projects, the relevant IT solutions projects are expected to commence around the period when the building constructions are substantially completed. Furthermore, we were in discussion with Shenzhen World Union Group Incorporated, a property management company referred by DHQ which is listed on the Shenzhen Stock Exchange and is an associated company of DHQ, in relation to the potential strategic cooperation for the integration of IoT network and solutions in the property management of various real estates development in Hengqin. As at the Latest Practicable Date, we entered into a non-legally binding strategic cooperation agreement with the aforesaid property management company and the parties will further discuss the project scope and negotiate the terms of the potential strategic cooperation. Pursuant to recent discussions, two specific sites of the real estate development area have been selected as the initial project scope, with further details of the project design to be finalised.

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Apart from the real estate development projects as mentioned in the paragraph above, there were two projects in relation to the establishment of offices in Hengqin by Customer E and renovation of offices in Zhuhai by Customer M which would require the deployment of IT infrastructures with estimated contract value of RMB2.0 million and RMB0.1 million, respectively. As at 31 December 2021, we were in the course of negotiating with these two potential customers (for whom we had previously provided similar IT solutions services in respect of their Macau offices) on the scope of work involved and we submitted a quotation to Customer M in late June 2021. As at the Latest Practicable Date, we were still pending feedback from Customer M.

We have also been in discussion with Nansha government on a project involving the establishment of a Guangdong-Macau cross border industry and business information platform in Nansha for an expected project period of two years with estimated total investment of around RMB80.0 million which is expected to commence in late 2021. We signed a letter of intent with the Bureau of Commerce of Guangzhou Nansha Economic and Technological Development Zone* (廣州南沙經濟技術開發區商務局) on 25 January 2021 in relation to this project. As at the Latest Practicable Date, the consultation phase of this project had been completed and we were conducting feasibility study of the system design and technical aspects.

These potential projects together with the market landscape as illustrated above suggested the market demand and abundant future business opportunities in several cities of the Greater Bay Area such as Hengqin and Nansha for IT solutions providers. As more particularly disclosed below, in May 2021, we submitted the tender documents to bid for a project with Hengqin government in relation to the development of network security system and infrastructure for phase one of the Hengqin New District international data center with estimated contract value of RMB20.0 million (the “**Hengqin International Data Centre Project**”). Although we were not successful in securing the contract subsequently, as further disclosed below in this sub-section, our past experience in tendering for public project in Hengqin and the tender assessment result issued by the tendering party reinforced our belief that it is imperative to establish a solid operational and sales team of reasonable scale in the Greater Bay Area to capture potential business opportunities when they arise.

The positioning of BoardWare ZH and BoardWare NS

As at the Latest Practicable Date, we had (i) BoardWare ZH and BoardWare NS, our wholly-owned subsidiaries in Hengqin and Nansha, respectively; and (ii) BoardWare GZ Branch, a branch office of BoardWare ZH in Guangzhou, the PRC, which were established in November 2014, January 2021 and May 2020, respectively. During the Track Record Period and up to the Latest Practicable Date, BoardWare ZH had been positioned as our back offices and technical development centre, and BoardWare NS was set up for identifying new business opportunities in Nansha. BoardWare GZ Branch was yet to commence substantive operation since its establishment in the PRC. As at the Latest Practicable Date, we had 61 staff members in Hengqin to support our operation of BoardWare ZH, which comprised 43 engineering and technical support staff and five administrative staff, who were primarily responsible for (i) performing operational support and helpdesk functions for our existing customers of managed services; and (ii) assisting in the secondary development and enhancement of systems and applications, and 13 professional service engineers in our office in Hengqin to assist in undertaking projects in the PRC. We had one staff in Nansha who was mainly responsible for performing operational support and we had recruited seven sales staff for the new sales team in Nansha to identify new business opportunities and establishing relationships with our customers. We did not have staff member in BoardWare GZ Branch as at the Latest Practicable Date.

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According to Frost & Sullivan, in tendering for projects from governmental bodies and companies in the public sector in the PRC, there are usually certain tendering conditions or selection criteria or preference which require their IT service providers to set up a local office with certain number of IT technical staff to be stationed in such office in order to ensure that such service providers will provide prompt response and on-site services. For some projects for the enterprise IT solutions, there are also work requirements on the IT service providers to deploy a specified number of local implementation engineers to be stationed at the construction site, and to provide prompt 24/7 post-sales maintenance services. Therefore, having a local project team would increase the chance of winning the relevant tender or contract.

With respect to the tendering conditions of the IT solutions projects in the PRC which are mandatory in nature, based on our experience, such requirements generally relate to the staff number and expertise of the candidates, track record of handling similar projects, the minimum registered capital of the candidates and/or other necessary qualifications, and vary on a case-by-case basis having regarded to various factors including (i) the scope of works for which we are responsible; (ii) the scale, complexity and technical requirement of the project; and (iii) any specific requirement imposed by the potential customers. As advised by Frost & Sullivan, after the promulgation of policies by the PRC government which promote the relaxation of entry barriers to encourage participation in projects' tendering process in 2020, the requirements relating to technical qualifications (which were previously one of the common mandatory conditions) are generally no longer a prerequisite for tendering IT solutions projects in the PRC.

Notwithstanding the above, in tendering for or during the selection process in respect of IT solutions projects awarded by governmental bodies in the PRC, especially those with relatively high contract value, based on our experience and as advised by Frost & Sullivan, preference (even though not mandatory) will be given to those candidates who possess certain technical qualifications which are relevant to the project requirements or otherwise could reassure the potential customers' confidence in the candidate's technical capability and competence. For example, in September 2019, we intended to submit tender for a project with Nam Kwong (Group) Co., Ltd.* (南光(集團)有限公司) in relation to the implementation of network security protection IT infrastructures with estimated contract value of HK\$3.8 million but did not proceed to do so since one of the tendering conditions¹ required candidates to possess at least two of the four technical qualifications specified in the tender documents². Furthermore, as disclosed above in this sub-section, in May 2021, we submitted tender documents for Hengqin International Data Centre Project. Despite having been one of the few shortlisted candidates in the tendering process, the project was eventually awarded to another candidate which had formed a larger project team with strong technical qualification. On the other hand, based on the tender assessment results and the understanding of our Directors, we noted the comments of the assessment panel with respect to the qualification possessed by us and our project team and that we were not able to provide necessary qualification to the satisfaction of the assessment panel.

As more particularly disclosed in the table under the paragraph "Our implementation plans to expand the geographical reach of our enterprise IT solutions business" below, there are generally requirements or assessment criteria in respect of the number of staff, their experience and

¹ Technical qualifications were still a mandatory requirement at the time when this project commenced tendering process which predated the promulgation of the PRC policies that promote the relaxation of entry barriers as mentioned in the paragraph above.

² These technical qualifications included "Certificate for Qualifications of Information Security Service Provider (信息安全服務資質)" referred to as item numbered 2 in the table under the sub-section headed "Our implementation plans to expand the geographical reach of our enterprise IT solutions business" below.

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competence and/or scale of operations in applying for the relevant technical qualifications or certifications. Given that BoardWare ZH did not have the requisite number of staff (even taking into account the staff newly recruited for this expansion plan) or scale of operation, it would need to first recruit a certain number of staff with relevant technical skills and expertise before it would be in the position to apply for those qualifications and actively tender or compete for contracts of higher value with governmental bodies in the PRC thereafter.

In light of the above, having considered the current positioning and staff's function of BoardWare ZH which largely constraint our ability to compete for contracts for enterprise IT solutions and handle the execution aspects of such projects, and in light of the potential business opportunities in the Greater Bay Area (such as those in Hengqin and Nansha) as mentioned in the paragraphs above, having a reasonable scale of operation with solid sales and operational teams staffed with local employees is conducting to our future participation in the tendering or bidding for new enterprise IT solutions contracts to be awarded by local customers especially governmental bodies and companies in the public sector in the Greater Bay Area, thereby allowing us to expand the geographical reach of our enterprise IT solutions business.

Our implementation plans to expand the geographical reach of our enterprise IT solutions business

To this end, we plan to set up new sales and operational teams in Hengqin and Nansha of the Greater Bay Area with the necessary capability and facilities to source and undertake new enterprise IT solutions projects in the region. As we target the regional market of the Greater Bay Area, among other cities in Guangdong Province, we considered Hengqin and Nansha as the ideal springboard locations to tap into this geographical market for various reasons. Taking into account the market landscape and current economic development of and availability of business opportunities in these two cities as disclosed in this sub-section, in particular, their close proximity to Macau, the close economic ties and the governments' initiatives to build a Guangdong-Macau in-depth cooperation zone in Hengqin under which certain regions in Hengqin will be governed by the system and regulations practised in Macau and managed by the Macau government, Hengqin and Nansha present significant opportunities for companies across a range of sectors such as technology and innovation, trade and logistics. The clustering of talents, capital and industries will drive high value-added productions and business developments, which in turn will create vast demand for enterprise grade and high quality IT solutions services and benefit IT solution providers who have already possessed proven track record of serving globally renowned customers with high service and technical standard. Further, as part of our strategic planning, we have established BoardWare ZH and BoardWare NS in late 2014 and early 2021, respectively, and have started to develop business network in the regions, as a result of which, we are familiar with the market landscape of those two cities and would be able to expedite our planned business expansion in Hengqin and Nansha as well as the neighboring regions within the Greater Bay Area in future. All these are factors we consider favorable in choosing Hengqin and Nansha as our pilot cities to tap into the market of the Greater Bay Area. For details of the new sales and operational teams in Hengqin and Nansha, see "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus.

We also intend to establish a solutions laboratory in our Hengqin office to be established for performing, in a virtual environment, infrastructure design, solutions testing, proof-of-concept and experimentation and for internal and external trainings for local customers. In collaboration with Peng Cheng State Key Laboratory, the University of Guangzhou and the University of Macau (UM), we plan to set up a cyber range platform in the solutions laboratory to provide simulated cybersecurity practice, cyber warfare and cyber forensic techniques training to our staff, with the primary aim of improving their ability to recognise and respond to cyber threats and attacks in a

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controlled environment. The solutions laboratory to be established in our Hengqin office will generally follow the same or similar hardware and software configurations of the solutions laboratory established in our Macau office.

We consider the implementation of such plan necessary to cope with our future business needs and capture business opportunities in the Greater Bay Area, having considered: (i) the additional manpower with the necessary expertise and experience required for conducting pre-sales and sales activities at project orientation stage, showcasing our technical capability in undertaking the potential enterprise IT solutions projects in Hengqin, Nansha and their nearby regions within the Greater Bay Area by our local teams when seeking a potential project, executing the projects when we have secured the contracts, and providing prompt response and on-site post-sales maintenances and support services. Most of our staff currently employed to support the operation of BoardWare ZH, who are mainly performing the operational support, helpdesk and technical development functions, do not have the requisite technical qualification or sufficient experience that are expected from our professional project team for managing and executing a project and delivering solutions in accordance with our stringent service quality standards; (ii) the need to extend the reach of our services and solutions to local customers and enhance our service capacity to address potential local customers' demand, such as the demand for localisation of our solutions during project execution phase and on-site services by local customers. With new teams to be set up in Hengqin and Nansha and staffed with local employees, we would be able to better communicate with our customers during the project implementation process and reduce the time and cost incurred by our staff to provide on-site support for customers located in or near these two cities which are an integral part of our enterprise IT solutions, and we will be flexible in offering more competitive pricing to such customers; and (iii) as disclosed above in this sub-section, our ability to deploy new sales and operational teams of reasonable scale will increase our opportunities for tendering or winning new IT solutions projects to be awarded by local customers especially governmental bodies in the Greater Bay Area due to certain conditions or selection criteria or preference set by them which require or expect IT solutions service providers to have local subsidiaries with certain number of IT technical staff employed and/or possess certain technical qualification(s).

In addition to the above, following the implementation of our expansion plan, we are confident that we would be able to capture the demand for IT solutions in our target markets based on the following grounds:

- (i) since we already have established track record as the leading IT solutions provider in Macau and strong reputation of serving prominent customers and public bodies in Macau coupled with our technical expertise in providing comprehensive, customised and reliable enterprise IT solutions to our customers, we are able to differentiate ourselves from other IT solutions providers and effectively compete with existing players in the Greater Bay Area;
- (ii) given that the Greater Bay Area is increasingly integrated with many Macau enterprises, hotels, and government agencies extending their footprints and launching expansion projects in the regions, as the first and only Macau IT solutions provider having a local presence as at the Latest Practicable Date according to Frost & Sullivan, we are able to leverage our strong brand recognition and customer loyalty among Macau enterprises in tapping into the markets;

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For instance, Customer D (our top five customer during the Track Record Period) and Customer E (our top five customer during FY2020 and FY2021), both of which have over eight years of business relationship with us, have been pursuing expansion and making their foray into the Greater Bay Area. Based on publicly available information, Customer D plans to develop a lifestyle leisure resort in Hengqin and Customer E plans to build a premium residential, entertainment and hospitality mixed-use complex in Zhongshan, Guangdong province. During the Track Record Period, revenue contributed by Customer D was in an increasing trend, being HK\$34.8 million, HK\$61.8 million and HK\$118.1 million, respectively. In particular, in FY2019, we had a tender success rate of 100% for five enterprise IT solutions projects with contract value of HK\$1 million or above awarded by Customer D. On the other hand, revenue contributed by Customer E during the Track Record Period were HK\$16.5 million, HK\$36.7 million and HK\$61.8 million, respectively, and Customer E, a company with principal business in Macau, had engaged us for the provision of cloud solutions and surveillance network solutions for its resorts and office in Macau during the Track Record Period. Our Directors believe that with such relevant project experience and given the similar project nature, we will possess competitive advantage when bidding or seeking potential project engagements from these customers. Further, as part of the tender assessment criteria, these customers would generally request our project team to have well-qualified project leader and technical engineers with relevant experience to manage the technical aspects of the project. Further, as disclosed in the paragraphs above, we were in discussion with Customer E and Customer M in respect of the deployment of IT infrastructures for the establishment or renovation of their offices in Hengqin and Zhuhai, respectively, and submitted a quotation to Customer M in late June 2021. With our extensive tender experience with these customers together with the renowned track record of handling projects awarded by them and assuming that these customers are going to seek tenders requesting similar technical requirements for their respective IT solutions projects in the Greater Bay Area, our Directors believe that we are placed in an advantageous position to effectively compete for business opportunities associated with the expansion projects of these customers in the Greater Bay Area;

- (iii) in respect of our business opportunities in Hengqin, DHQ, one of our Pre-IPO Investors and a wholly-owned subsidiary of Zhuhai DHQ Group held by 珠海市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of Municipal People's Government Zhuhai City*) and 廣東省財政廳 (Department of Finance of Guangdong Province*), has solid connection with state-owned enterprises and local governments given its shareholders composition. Abounded with vast experience and proven record in managing the state-owned assets in the regions, Zhuhai DHQ Group takes a pivotal role in promoting and facilitating the implementation of real estate development projects in Hengqin and Zhuhai DHQ Group's parent companies are vested with government functions in boosting the economic development and technological innovation in Hengqin, according to Frost & Sullivan. On 7 September 2021, DHQ published a circular announcing its full support on our planned expansion in the Greater Bay Area and its intention to solidify the strategic partnership and cooperation with us in the development of IoT network and IT infrastructure in the regions. Backed by the support of DHQ and through leveraging on its market intelligence and business referral, we are able to keep abreast of any emerging business opportunity as well as the project requirements of any potential project (especially those building or construction projects which are or will be managed or developed by Zhuhai DHQ Group) in the region, which in turn, will greatly reinforce our advantage in future securing of IT projects in Hengqin and its adjacent cities;

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- (iv) as more particularly disclosed in this sub-section, we were in active discussion with Shenzhen World Union Group Incorporated, an associated company of DHQ listed on the Shenzhen Stock Exchange, in connection with the potential strategic cooperation on the integration of IoT network and solutions in the property management of various real estates development in Hengqin. Further, as at the Latest Practicable Date, we had entered into a strategic cooperation agreement with Shenzhen World Union Group Incorporated which set out certain intended terms of the contract such as various phases and timeline for project execution, and we were in the course of finalising a supplemental agreement to be entered into with Shenzhen World Union Group Incorporated setting out more detailed scope of real estate development projects which may require our IT solutions service. We were also involved in discussions with Shenzhen World Union Group Incorporated on formulating the overall project framework and were requested to advise on matters in relation to the preliminary design and deployment plans of the necessary IT solutions services required. Having considered the above, the preliminary work performed by us and subject to the final project requirements, we are confident that we have a good chance of securing future IT projects which are related to the properties managed or to be managed by Shenzhen World Union Group Incorporated;
- (v) in respect of our planned expansion in Nansha, we had entered into a letter of intent with 廣州南沙經濟技術開發區商務局 (the Bureau of Commerce of Guangzhou Nansha Economic and Technological Development Zone*) in connection with a project involving the establishment of a Guangdong-Macau cross border industry and business information platform in Nansha. As at the Latest Practicable Date, the consultation phase of this project had been completed and we were conducting feasibility study of the system design and technical aspects. In light of the above, the preliminary work performed by us and barring unforeseen circumstances, we are confident that the said project in Nansha will be proceeded and we have a good chance of securing the aforesaid project. Our Group also received support from Nansha government in the form of free rental for leasing office premises by us in Nansha pursuant to the tenancy agreement entered into with the Bureau of Commerce of Guangzhou Nansha Economic and Technological Development Zone in March 2021. See “Our Properties — Properties leased by us” in this section for details;
- (vi) whilst there were over 500 and over 100 market participants in the IT solutions market in Nansha and Hengqin in 2021, respectively, based on the estimation of Frost & Sullivan, less than 10 of them have more than 50 staff. Upon the full implementation of our expansion plan, our Hengqin and Nansha offices altogether are expected to have around 50 sales and technical staff to support our pre-sales activities and project execution of new projects. Given the geographical proximity between our offices in Macau, Hengqin and Nansha and subject to any travel restrictions as a result of any recurrence of COVID-19 outbreak, we are flexible in allocating our sales and technical staff and other resources from Macau to work jointly with our project teams in the Greater Bay Area should any of the above business opportunities materialises, thereby reinforcing our competitiveness in terms of manpower over our competitors; and

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(vii) last but not least, we have dedicated continuous efforts to identify new business opportunities and source potential customers in the Greater Bay Area such that upon the implementation of our expansion plans in the regions and with the requisite manpower, we would be able to secure new projects and tap into the local markets in a quick and effective manner. For example, we had identified a potential strategic cooperation opportunity with Zhuhai Art College involving the development of smart campus and information security platform technologies to be implemented throughout the college and had secured a contract with Zhuhai Art College with a contract value of HK\$17.4 million on this project. Further, as at the Latest Practicable Date, we had completed a professional IT services project in Guangdong with a contract value of HK\$9.0 million pursuant to which we provided hardware installation and technical support services to an intelligent system solution provider in the PRC for its project with the Guangdong Province People’s Hospital. We will continue to capture the business opportunities for IT solutions in the Greater Bay Area when they arise.

Pursuant to our expansion plan, we intend to utilise HK\$34.9 million or 33.3% of the net proceeds from the Global Offering for this purpose. Such amount would cover (i) part of the salary package (for a period of 24 months) in connection with the additional staff for the new sales and operational teams (comprising 30 staff and 25 staff in Hengqin and Nansha, respectively); (ii) the expenses in connection with the purchase of office equipment, hardware and software incidental to the establishment of our sales and operational teams in each of Hengqin and Nansha; and (iii) the expenses in connection with the purchase of hardware and software incidental to the establishment of a solutions laboratory in Hengqin. Any shortfall will be financed by our internal resources as appropriate.

Set forth below are the details of our implementation plan, the estimated expenses and the planned allocations of the net proceeds from the Global Offering (assuming an Offer Price of HK\$1.17 per Share, being the mid-point of the indicative Offer Price range, and the Over-allotment Option is not exercised (the “**Net Proceeds**”)):

Items no.	Description	Estimated expenses <i>(HK\$ million)</i>	Planned allocations of the Net Proceeds to fund the estimated expenses <i>(HK\$ million)</i>	Estimated completion time
1.	Establishment of sales and operational teams in each of Hengqin and Nansha offices by recruiting:			
—	30 staff in Hengqin	23.3	17.5	Within 24 months after the Listing
—	25 staff in Nansha	15.8	11.8	Within 24 months after the Listing

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Items no.	Description	Estimated expenses <i>(HK\$ million)</i>	Planned allocations of the Net Proceeds to fund the estimated expenses <i>(HK\$ million)</i>	Estimated completion time
2.	Purchase of office equipment, hardware and software such as servers, application development tools, backup solutions and other IT equipment and software licence for use in Hengqin and Nansha offices	4.6	4.4	One month after the Listing
3.	Purchase of hardware and software such as server cluster and the related licences, automation platform and software solution that secures computing platform incidental to the establishment of a solutions laboratory in Hengqin for performing solutions testing, proof-of-concept, experimentation and for external and internal trainings for customers	1.2	1.2	One to two months after the Listing
Total:		44.9	34.9	

For further details on the salary range and description of the responsibility of the staff intended to be recruited for this expansion plan, see “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

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During the course of establishing the operational and sales teams in the Greater Bay Area, we will proceed to apply for certain technical qualifications or certifications which could demonstrate our level of technical capabilities and competence in performing essential technical functions that are typically involved in IT solutions projects in the PRC, details of which are set forth in the table below.

<u>Technical qualifications or certifications</u>	<u>Requirement/Assessment criteria</u>	<u>Awarding Institutions</u>
1. Level CS2 in the Information System Construction and Service Assessment* (信息系統建設與服務能力評估 — CS2級).	<ol style="list-style-type: none"> 1. Having the independent legal person status and having been engaged in information system construction and service business for more than one year; 2. good social reputation, good credit and public image, good awareness of intellectual property rights protection, no violation of national laws and regulations in the past three years, no business abnormalities or serious illegal or untrustworthy conduct and no unfair competition behavior; and 3. having fulfilled the corresponding level requirements in the published guideline on “Information system construction and service-Capability assessment system-Capability requirements* (信息系統建設和服務能力評估體系能力要求)” including, among other things, having workplaces in the PRC equipped with hardware and software facilities that commensurate with the applicant’s business scale; and 4. ongoing compliance with industry conventions. 	China Electronics Information Industry Federation (中國電子信息行業聯合會)

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Technical qualifications or certifications	Requirement/Assessment criteria	Awarding Institutions
2. Certificate for Qualification of Information Security Service Provider (信息安全服務資質)	<p>Applicant will be evaluated on merit basis having regard to a list of non-exhaustive factors including (i) its technical capabilities; (ii) whether it is staffed with project leaders and technical engineers with corresponding experience; (iii) whether its workplace and IT facilities in the PRC commensurate with its business scale; and (iv) its quality assurance abilities in the implementation of information security engineering process.</p> <p>Various interviews and site visits will be conducted in assessing the above. Depending on the assessment results, the applicant will be categorised into three levels and awarded the corresponding qualifications.</p>	China Cybersecurity Review Technology and Certification Centre (中國網絡安全審查技術與認證中心)
3. Certification on Capability Maturity Model Integration (CMMI) 能力成熟度模型集成認證	Through a series of software development benchmark exercises performed in a process level improvement training and appraisal program organised by the authorised institute, the applicant will be classified into different maturity levels of processes.	Software Engineering Institute (SEI) (美國卡耐基隆梅大學軟件工程研究所)

(ii) Establishing an integrated operational centre for the provision of managed services

We recorded an increase in revenue derived from our managed business from HK\$1.8 million for FY2019 to HK\$29.6 million for FY2020 primarily attributable to (i) the increase in the number of newly awarded managed security services contracts in light of the introduction of a new cybersecurity law in Macau in 2019 which required all enterprises in Macau including governmental bodies to enhance and tighten their in-house cybersecurity monitoring measures and policies; and (ii) the increase in lease income derived from our managed printing services provided for Customer F and private cloud as a service project provided for Customer E in FY2020.

According to Frost & Sullivan, from 2016 to 2021, managed services in Macau registered a CAGR of 8.7% and is expected to rise at a CAGR of 9.2% from 2022 to 2026, reaching MOP86.7 million in 2026. As at the Latest Practicable Date, we had 26 contracts of managed services in progress with a closing value of backlog of HK\$35.5 million. As at 31 January 2022, we had 17 pipeline contracts of managed services with a total estimated contract value of HK\$19.6 million relating to the provision of log management services, cybersecurity services under the SOC, detection and response services and gap analysis in Macau with project period of one to two years. Among these 17 pipeline contracts (two of which were subsequently combined with two other pipeline contracts, resulting in a total of 15 pipeline contracts), we (i) had submitted quotations or tenders in respect of 13 pipeline contracts and as at the Latest Practicable Date, the quotation/tender result of two of these quotations/tenders were announced and were not awarded to

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us but we secured one contract by quotation and one contract by tender. For the remaining ones, their results were still pending as at the Latest Practicable Date; and (ii) for the remaining two pipeline contracts, the relevant tender process was yet to commence and no concrete timetable as to when the tender will be open was available to us up to the Latest Practicable Date. Our provision of managed services in Macau provides us with valuable experience and track record for our planned expansion of such services in the Greater Bay Area.

Details of the secured contracts of managed services as discussed under (i) above are set out below:

Areas of services covered	Awarded contract amount	Estimated project period (month)	Status as at the Latest Practicable Date
	<i>(HK\$'000)</i>		
1. Gap analysis services under the SOC.	368	4	Contract was secured by way of quotation and the project commenced in February 2022.
2. Cybersecurity services under the SOC.	349	12	Contract was secured by way of tender and the project commenced in January 2022.

Moreover, according to Frost & Sullivan, due to the proliferation of internet and web-based application such as cloud computing and e-commerce in the Greater Bay Area and the rising number of enterprises in the regions, the need to ensure secure, controllable and predictable IT processes is on the rise, which in turn drives the demand for end-to-end security solutions in the Greater Bay Area. According to Frost & Sullivan, there is a substantial increase in sophistication of attacks of the entire IT infrastructure, including computing systems, data storage systems, advanced instruments and data repositories and visualisation environments. It is also anticipated that there will be an increasing number of Macau enterprises, hotels, and government agencies launching expansion projects in cities such as Hengqin which will drive the demand for 24/7 technical support and monitoring services from their IT solutions providers.

Therefore, we plan to expand the reach of our managed services and replicate the business model of such business, including the operation of our SOC in Macau to the Greater Bay Area. To this end, we intend to establish an integrated operational centre in Hengqin for the provision of managed services with focus on security managed services including instant threat intelligence monitoring, product vulnerability monitoring, dark web monitoring, cybersecurity services and network operation services. The integrated operational centre will also perform other proactive, remote monitoring functions and operation of our customers system according to the different work requirements of our other managed services. With an integrated operational centre to be established in the Greater Bay Area, we are able to offer prompt assistance to our customers located in the region and increase efficiency and quality of our managed services. We will also be able to overcome the technical obstacles in connecting our customer's systems remotely as a result of the differences in the cross border network infrastructure and bandwidth between Macau and the PRC, causing latency and unstable connection to our operational team if our managed services are to be provided in Macau to customer in the PRC. We consider that it would be beneficial and complementary to our business development to expand our managed services through an integrated operational centre established in the Greater Bay Area as part of our strategic development plan to strengthen our customer network and market presence as well as enhancing our market penetration in the region.

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In this connection, we intend to utilise HK\$11.1 million or 10.5% of the net proceeds to establish an integrated operational centre in Hengqin of the Greater Bay Area. Such amount would cover (i) the salary package (for a period of 24 months) of 14 staff; and (ii) expenses in connection with the purchase of the IT equipment and software and operation tools incidental to the offering of 24/7 managed services in the integrated operational centre intended to be established. Any shortfall will be financed by our internal resources as appropriate.

Set forth below are details of our implementation plan, the estimated expense and the planned allocations of the Net Proceeds:

Items no.	Description	Estimated expenses <i>(HK\$' million)</i>	Planned allocations of the Net Proceeds to fund the estimated expenses <i>(HK\$' million)</i>	Estimated completion time
1.	Recruiting 14 technical and engineering staff with years of experience ranging from one year to five years for a period of two years	8.5	7.4	Within 24 months after the Listing
2.	Purchase of office equipment, hardware and software and operation tools such as cybersecurity platforms for collecting log data and software applications for monitoring encrypted online content	4.0	3.6	One month after the Listing
Total:		<u>12.5</u>	<u>11.1</u>	

Continuing to strengthen our product and technical development capabilities in order to enrich our solution offering and increase our competitiveness

Our Directors believe that possession of up-to-date market intelligence within the industry and having the ability to develop customised solutions that could address the needs of local enterprises are the key factors leading to the success of an enterprise IT solutions provider. Our market standing and track record in the IT solutions market in Macau are underpinned by our efforts in evolving our solution offering through renewing and improving the technologies and software application we adopted in our solutions. We will continue to strengthen our product and technical development and commit to developing and expanding our service offerings, in order to increase our competitiveness and consolidate our market position in the IT solutions industry. In the coming future, the key areas of focus of our planned product development would be on enterprise resources planning solutions designated for local enterprises, AI technology for voice recognition and software applications relating to cybersecurity solutions and big data tools.

To this end, we intend to pursue strategic partnership with companies or businesses with strong product innovation capabilities which could complement our existing business and in-house product development. Such capabilities include the ability to demonstrate timely responsiveness to market needs and rapid and flexible product innovation, coupled with the management capability to effectively implement innovation strategies to address changing technological environment as well as identifying new ideas and transform them into new products or services that align with our

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objectives and resources and enhance our service quality. We will pursue strategic partnership with external parties where we lack the necessary technical expertise and it will take a long time for us to develop and commercialise the relevant IT solutions or products, or where the technical entry barrier is relatively high. In such case, depending on the amount of capital required, we plan to either establish joint venture(s) with business partner(s) or to enter into partnership agreement with such entity(ies) which we believe could achieve our business objectives at a reasonable cost.

In identifying a partnership target(s), we will first take into account its research and product development capabilities, the marketability of its products and product pipeline, its track record and historical achievement in research and product development, whether the target possesses the know-how and technologies that are required by us, whether it shares the same corporate value with us, whether it would effectively facilitate our business expansion into a target segment or market, and the cost of collaboration. In addition to the above, we will also consider other quantitative parameters including (i) whether the target has registered or licensed with at least 100 patents or other intellectual property rights; (ii) whether its market position and ranking is within the top 100 companies in the relevant technological fields based on data published by reputable market analysis agencies; (iii) the amount of resources available for research and development; and (iv) the scale of the target's research and development team with at least 500 staff. We do not have specific financial selection criteria for our partnership target(s) since our primary focus is on broader screening considerations such as market position, R&D capabilities, technological leadership and project development abilities of our target(s) which are more relevant to achieving our business objectives of strengthening our product innovation and enhancing our solution offering. As at the Latest Practicable Date, we have identified around five companies which could potentially meet the criteria above based on information obtained from research and advisory firms which publish market data and industry ranking of companies in technology related fields on a regular basis.

For solutions or products which we expect do not involve high technical entry barrier and where suitable candidate(s) is available in the market, we also intend to expand the scale of our product development team by recruiting a chief scientific officer who will be assigned to lead our product development team and possesses strong experience in AI related fields, a data engineer and a data analyst who have technical expertise in data modeling, database design and development and segmentation techniques in order to enhance our in-house product and technical development capabilities in developing and commercialising new solutions or products on our own.

We intend to utilise HK\$7.8 million or 7.4% of our net proceeds from the Global Offering to fund full or part of the cost of strengthening our product and technical development capabilities as mentioned above. Any shortfall of the estimated expenses will be financed by our internal resources as appropriate. The amount intended to be applied for pursuing strategic partnership is determined based on a number of key parameters, including the scale of the cooperation project, the respective input of resources, whether the intellectual property rights of new products will belong to us, our then cash and financial position and the prevailing market condition. Upon identification of a suitable partner, we will proceed to commercial negotiation, complete the necessary legal and financial due diligence and enter into the investment or partnership agreement if the commercial terms are acceptable to us. As at the Latest Practicable Date, we did not have any specific partnership target and had not entered into any definitive agreement with any potential target. We will continue to screen suitable targets through market research and commence the negotiation process once a suitable target has been identified.

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In addition, we have, on 3 February 2021, entered into a 5-year framework cooperation agreement with the University of Macau (UM) (the “**Framework Cooperation Agreement**”) under which a research and product development laboratory will be jointly established to carry out innovative research, create an innovative system for engineering, and provide a platform for technological innovation and industry-academia collaboration in the fields of smart city technology, modern information technology, information security, public security, big data, internet of things, AI, and cloud management, as well as nurturing more innovative talent and promoting economic diversification and sustainable development of Macau and the Greater Bay Area. According to the F&S Report, in July 2018, the University of Macau (UM) received the approval of the Ministry of Science and Technology for the establishment of the nation’s first state key laboratory in IoT for smart city.

Pursuant to the Framework Cooperation Agreement, we will be providing capital resources of not less than MOP1.8 million a year for a period of five years for such joint research and product development effort, and such capital resources are expected to be utilised as research and product development funding and for the training of professional talents. We will also serve as a practice base for students at the University of Macau (UM) to conduct research study and priority will be given to the graduates from the University of Macau (UM) in our recruitment process. Any intellectual property rights created or otherwise arise as a result of the collaboration will be jointly owned by the University of Macau (UM) and us and we will enter into a separate agreement with the University of Macau (UM) setting out the terms and conditions concerning the shares of ownership and our respective rights for the specific project. Unless with the prior consent of the other party, neither the University of Macau (UM) or us shall use or transfer any intellectual properties developed pursuant to the Framework Cooperation Agreement for commercial purposes. Through our cooperation with the University of Macau (UM), we expect to enhance and strengthen our research and development efforts over time as we gain more experience in product development and technology, and continue to build our research and product development capabilities and know-how in providing innovative and value-added IT solutions services to our customers.

As at the Latest Practicable Date, we were in active discussion with the University of Macau (UM) to evaluate the research scope and the technologies involved in relation to several projects including (i) the use of palm vein recognition technology; (ii) intelligent vehicle infrastructure cooperative systems which acquire vehicle and road information by use of wireless communication and sensor detection technologies, allowing interaction and data sharing between vehicles and infrastructures, thereby enhancing coordination between vehicles, enabling safer road traffic and reducing traffic jams; and (iii) IoT property management solutions and smart systems which will be utilised in the potential project with Shenzhen World Union Group Incorporated as mentioned above to automate, monitor and operate property management functions and increase operational efficiency, with estimated investment amount of HK\$0.5 million for the palm vein recognition technology project and HK\$1.0 million for each of two remaining projects. We submitted documents for intelligent vehicle infrastructure cooperation system project on 29 November 2021 and the relevant tendering process was still ongoing with the result pending. We have, on 21 June 2022, entered into a five-year R&D cooperation agreement with the University of Macau (UM) and an integrated service provider in the field of data security and privacy to jointly research into the technology of iris recognition and its practical application.

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We intend to utilise HK\$8.8 million or 8.4% of the net proceeds from the Global Offering for funding the required minimum injection of capital resources for the research and development laboratory jointly established with the University of Macau (UM) and the research and development projects pursuant to the Framework Cooperation Agreement and as mentioned above. Any shortfall of the estimated expenses will be financed by our internal resources as appropriate.

Strengthening our sales and marketing initiatives to elevate our corporate profile

We aim to improve our Group's brand recognition by enhancing our efforts to maintain close relationships with our suppliers and expand our customer base. To this end, we will continue to deploy various marketing and promotional strategies such as organising more online product briefings, seminars and presentations and marketing events such as our annual "Solution Day", as well as hosting more product launch, workshop, seminar or luncheon events with system vendors to promote our business, product and service offerings and enhance our corporate image. We intend to organise a series of all-in-one training workshops to our existing and potential customers as well as the general public with a view to increasing public awareness of cybersecurity related issues and educating people on the potential impact of a cyber-attack and the steps required to reduce risk and prevent cybersecurity threats infiltrating the online space. We will also designate a column in our website to publish information and market news and insight relating to cybersecurity on a regular basis. In addition, to further increase business opportunity under our distribution and resale businesses, we will participate in industry-related activities organised by system vendors to keep abreast of the new IT products development or best practices in the industry and strengthen our connection with IT products vendors and end-users through face-to-face interaction. Through these initiatives, we believe we will develop closer relationships with our customers and elevate our corporate profile. We plan to fund these sales and marketing initiatives by our internal resources.

OUR BUSINESS MODEL

Introduction

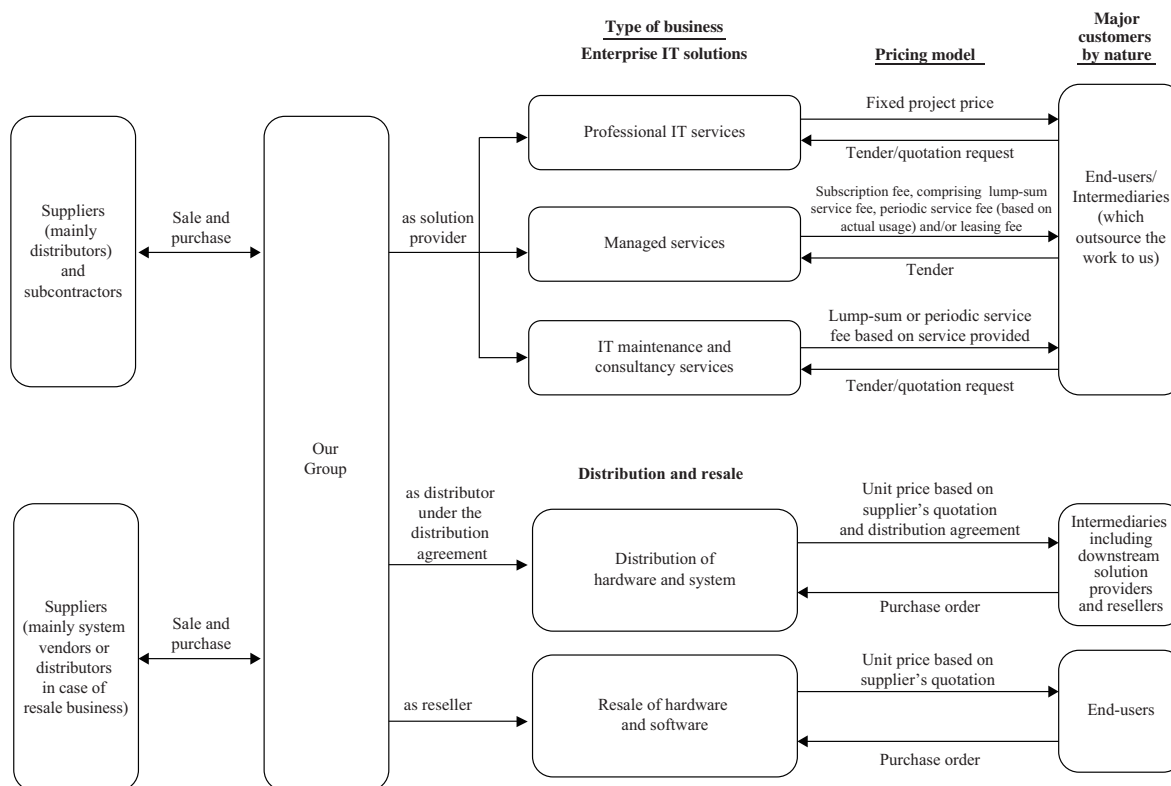
We provide reliable, end-to-end and high quality enterprise IT solutions, covering professional IT services, managed services, and IT maintenance and consultancy services. By customer nature, customers of our enterprise IT solutions comprise (i) end-users such as telecommunication companies and technology companies (which engage us to build the system or IT infrastructure for them) in TMT sector, gaming and hotel brands, banks and financial institutions, and commercial customers in private sectors as well as governmental bodies and education institutions in public sector; and (ii) intermediaries such as solution companies which outsource the relevant work to us. Depending on the service nature, we price our solutions and services under our enterprise IT solutions business on a per project basis, actual usage basis and/or for a lump-sum or periodic service fee. We also provide standalone or extended IT maintenance services to customers, majority of which are customers of our professional IT services business and distribution business.

In addition, during the Track Record Period, we, as a distributor, had been engaging in the distribution and sale of mobility and security related hardware and system to downstream solution providers and resellers, which diversified our revenue source and complemented our enterprise IT solutions business. Apart from distribution, we, as a reseller, also purchase hardware and software for onward sale to customers in Macau (which are mostly end-users and are existing or previous customers of our enterprise IT solutions business) for their own business needs based on purchase order. We price the products sold under our distribution business based on the quotation we

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obtained from our suppliers and our targeted profit margin. Further, under our distribution business, as an authorised distributor of our suppliers, we are required to observe certain restrictions or covenants set by our suppliers.

The following diagram illustrates our business model:



The following table sets out a breakdown of our revenue by business line and nature for the indicated periods:

	FY2019		FY2020		FY2021	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Enterprise IT solutions						
— Professional IT services	294,068	58.5	248,932	52.4	289,223	54.1
— Managed services and lease income	1,826	0.4	29,568	6.2	35,353	6.6
— IT maintenance and consultancy services	33,734	6.7	50,113	10.5	70,388	13.2
Sub-total	329,628	65.6	328,613	69.1	394,964	73.9
Distribution and resale						
— Distribution	113,351	22.5	108,800	22.9	99,860	18.7
— Resale	59,763	11.9	37,895	8.0	39,478	7.4
Sub-total	173,114	34.4	146,695	30.9	139,338	26.1
Total	502,742	100.0	475,308	100.0	534,302	100.0

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The following table sets out a breakdown of our gross profit and gross profit margin by business line and nature for the indicated periods:

	FY2019		FY2020		FY2021	
	Gross profit/(loss)	Gross profit/(loss) margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Enterprise IT solutions						
— Professional IT services	48,222	16.4	51,775	20.8	61,951	21.4
— Managed services and lease income	(3,084)	(168.9)	5,863	19.8	9,660	27.3
— IT maintenance and consultancy service	9,373	27.8	15,523	31.0	18,088	25.7
Sub-total	54,511	16.5	73,161	22.3	89,699	22.7
Distribution and resale						
— Distribution	22,102	19.5	15,900	14.6	15,782	15.8
— Resale	9,044	15.1	4,452	11.7	6,629	16.8
Sub-total	31,146	18.0	20,352	13.9	22,411	16.1
Total	85,657	17.0	93,513	19.7	112,110	21.0

Our vision and value

We aspire to be the most reliable and efficient enterprise IT solutions provider in Macau and our mission is to provide and offer a wide range of enterprise IT solutions to our customers that will empower them to achieve optimal growth. We value and recognise the importance of being versatile and responsive to market changes and we strive for excellence through continuously offering products and designs that are both creative and add value to our customers' business. We also build long-term and trusted relationships with our customers, our suppliers, system vendors and other business partners.

OUR PRINCIPAL BUSINESS

Enterprise IT solutions business

Professional IT services

The provision of professional IT services is our major business. We began to provide enterprise IT solutions since 2010. Under this business, we offer an array of integrated, end-to-end, enterprise-grade system integration and IT solutions to our customers depending on their specific requests and the nature of their business. In delivering our solutions, usually we are involved in the entire process since the beginning stage of overall IT infrastructure design up to post-sales maintenance and technical support.

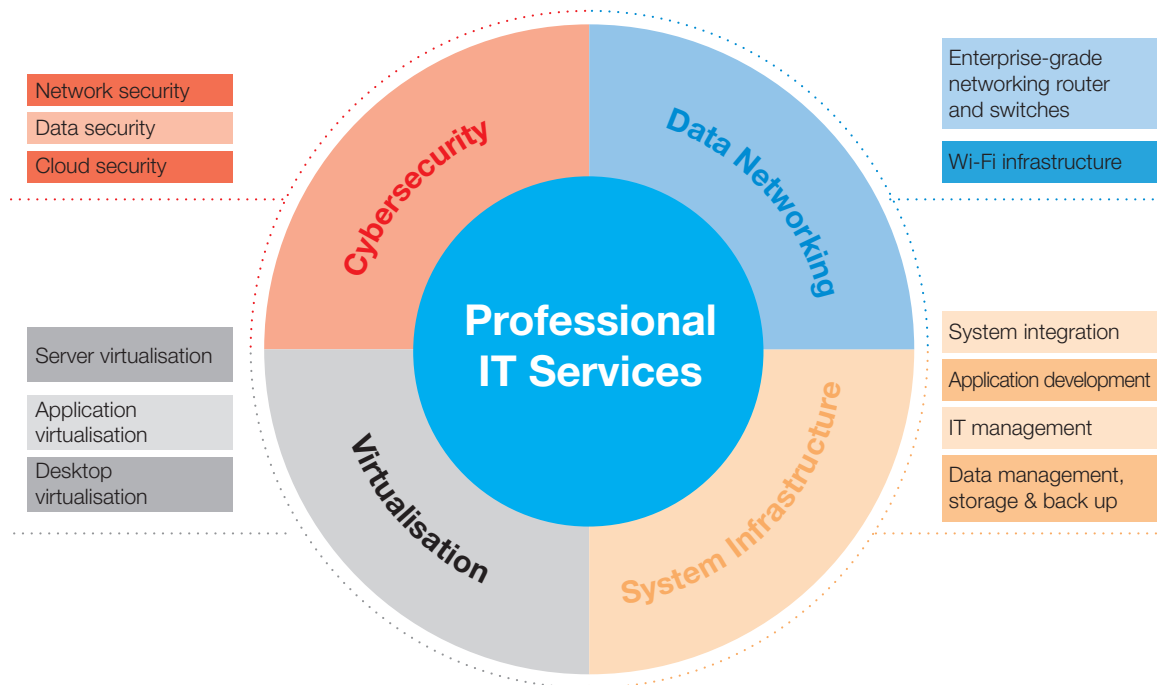
We take pride in our ability to provide customised solutions through the continuous efforts of our pre-sales team who have a very high level of and early involvement during the entire project phase, work jointly with our customers on systems design and development, and deliver advice on hardware, the associated system or other components to ensure that the new system will best fit their needs and function as intended. During the Track Record Period, we provided customised professional IT services to our customers in various industry sectors, including customers in gaming and hospitality, education and government sectors. See "Our Projects — Top five projects" in this section for details. In most of our projects, we are able to offer the above services

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throughout the entire project by utilising our internal manpower and resources without relying on the technical support or assistance of external parties such as our suppliers or system vendors. We typically provide our solutions on a project-by-project basis, and the relevant contracts are secured either by way of participation into a tender or submitting a quotation to our customers.

The key areas covered by the professional IT services provided by us during the Track Record Period include (i) data networking; (ii) system infrastructure; (iii) virtualisation; and (iv) cybersecurity services. The precise work scope of professional IT services under the relevant contracts (which may cover one or more than one area or all areas mentioned above in case of total solution) is mainly project-driven and defined in the formal agreement(s) signed with our customers.

The following diagram illustrates the key areas covered by our professional IT services:



Data networking: In data networking projects, we design the layout of the networking infrastructure for our customers with an aim of developing a reliable, stable, effective and secured network for users to stay connected and exchange data seamlessly. Enterprise-grade networking hardware such as wireless Wi-Fi access points, networking routers and switches are installed as part of the Wi-Fi and networking infrastructure.

System infrastructure: System infrastructure encompasses all hardware, software, servers, an operating system, related applications as well as data storage components, and the integration of which to deliver services and solutions. In providing our services, we design and develop the entire operational IT system infrastructure, which includes the setting up of servers, applications, storage and data management systems, and their integration. Apart from developing operational IT system infrastructure, customers may also engage us for the design, development and/or building up of online applications or online platforms for their specific use. We also manage the overall IT system for our customers.

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Virtualisation: Virtualisation is a common and standard practice in enterprise IT infrastructure. It allows the hardware element of a single physical compute resource be divided into multiple virtual resources, each with its own operating system. With the different kinds of virtualisation technology provided by us, including server virtualisation, application virtualisation and desktop virtualisation, our customers and their users are able to utilise their physical hardware more efficiently, with a faster provisioning of applications and resources and enhance the resilience of the performance of the relevant applications.

Cybersecurity: We provide cybersecurity solutions to safeguard the network, data and cloud-based services and applications of our customers from attack, damage, unauthorised access, intrusion as well as disruption and misdirection. Through the deployment of cybersecurity solutions, our customers are able to assess and analyse the vulnerabilities and risks in their relevant system or network to ensure system or network integrity and detect, identify and monitor any security threats, attacks or intrusions.

As part of our full services, our professional IT services cover post-sales maintenance and support, ranging from 12 to 36 months and in some cases, up to 60 months, following the completion of the project, and the fee of our enterprise IT solutions is normally inclusive of our post-sale maintenance and support during the warranty period. For details, see “After-sales Services and Warranty” in this section.

Our revenue from the provision of professional IT services increased by HK\$40.3 million or 16.2% to HK\$289.2 million for FY2021 from HK\$248.9 million for FY2020. Such increase was primarily attributable to the extended work and services rendered for the Cotai Casino Expansion Project with Customer D in Cotai due to the modification of the IT infrastructure design for such project, in which additional contracts were entered into with Customer D for such project during FY2021. For further details, see “Financial Information — Review of Historical Results of Operation” in this prospectus.

Managed services

Under this business, we, as an outsourced IT service provider, offer a selected range of managed services under which we are entrusted with and act as part of the IT operational team of our customers to proactively monitor and manage our customers’ systems and infrastructures remotely through our management IT platform with the support of our well-qualified engineers and in-house developed software. Where required, we lease the required IT equipment and/or software comprising servers, printing facilities and other relevant hardware and system software solutions which are incidental to the provision of the relevant managed services.

In 2018, we set up our round-the-clock SOC in Macau, through which we offer localised cybersecurity services to our customers in Macau to proactively and continuously monitor their IT infrastructure for purpose of detecting, analysing, investigating, responding and preventing cybersecurity incidents. The services provided by us under our SOC include instant threat intelligence monitoring, product vulnerability monitoring and dark web monitoring. As at 31 December 2021, our SOC team comprised a total of 21 employees, including three tiers of operational teams and helpdesk administrators. A majority of our operational team members held highly regarded technology accreditations and certifications in the cybersecurity area. The first tier is responsible for collecting and logging data relating to the IT system and operating environment of our customers and detecting malicious activities; while the second tier is responsible for analysing the flagged incidents and providing remedial action and solutions to our customers. Where there are any advanced issues or forensic-related incidents, they would be escalated to our

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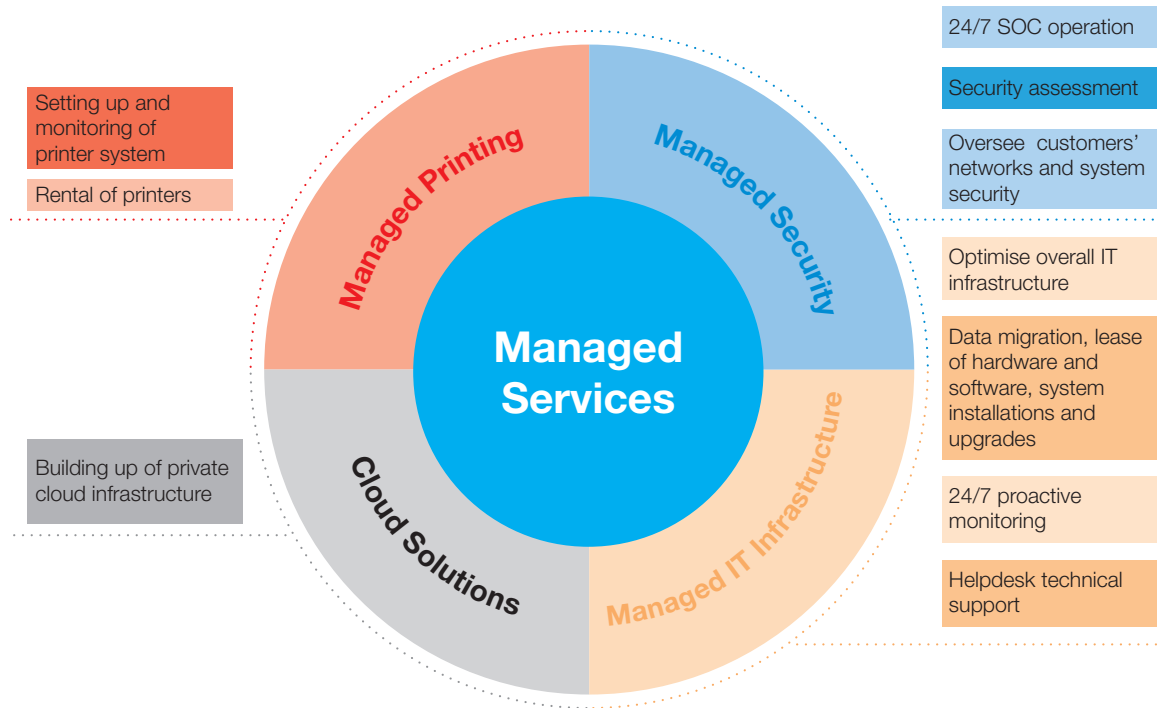
third tier staff for further follow up and action. We also provide incident reports to our customers detailing the issues identified, their actual and potential impacts on the IT infrastructure of our customers and our incident findings, recommendations and suggestions. We have established incident response workflows, coupled with up-to-date threat detection and intelligence tools, for our SOC operation to ensure performance consistency, timely resolution of issues identified, enhanced accuracy and precision in issue detection and identification as well as providing all-rounded cybersecurity protection. As part of our services under our SOC, we may lease required hardware and/or software for use by our customers, and such software is mainly for purpose of data collection and feedback for our SOC team to be familiarised with the operating environment of our customers and its features for further analysis. We may also, on a case-by-case basis, deploy our local SOC staff to offer onsite support to our customers under the SOC operation.

We have rolled out managed services to complement our enterprise IT solutions and respond to the growing demand of our customers (especially for those with limited in-house IT capability) for such services in light of the upcoming trend of enterprises in outsourcing IT services to external service providers to increase operational efficiency and the increasing complexity of the operational environment of our customers as well as the required IT hardware and system. Leveraging on our accumulated experience, we have in place standard procedures for and established protocol on the daily operation of our managed services. Through the subscription of our managed services, customers are able to offload their general management and monitoring duties from in-house to external service provider and minimise upfront cost in running and managing the IT equipment and the operating system. There is also a higher degree of security as a result of our real-time and round-the-clock monitoring, which can be time-consuming and relatively costly if performed by our customers internally; and customers can benefit from the knowledge and expertise of our team of experienced engineers and the efficiency of our services which are rendered through our management IT platform.

Currently, BoardWare ZH (including the BoardWare GZ Branch) is mainly providing operational support and helpdesk services to our existing customers of managed services. In particular, a majority of our employees of BoardWare ZH are having a rotating shift schedule with our employees in Macau for providing helpdesk support to our customers. By utilising the available manpower in the PRC, we benefit from a relatively lower operational cost and cost of labour and are able to maximise workflow efficiency.

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The following diagram illustrates different types of our managed services:



Managed security services: We oversee our customers' IT infrastructure and the related security of their information systems, manage any network/system intrusions, firewalls and upgrades, perform anti-virus and security assessments, detect security threats and respond to any security-related emergencies. Some customers may subscribe to use our services rendered through our SOC. For details on our SOC, see "Our Principal Business — Managed services" above. Our SOC has attained the ISO 27001 and ISO 20000 standard for information security management.

Managed IT infrastructure services: We provide resources to plan, integrate, operate and optimise the IT infrastructure of our customers on an ongoing basis. We proactively monitor the performance, diagnose the issues and resolve problems of the overall IT infrastructure of our customers, which may include network testing and monitoring, overseeing and mitigating network security risk, managing installations and system upgrades, and providing technical support services. We may lease the required IT equipment and/or software incidental to the provision of the managed IT infrastructure services. We also set up Wi-Fi network for our customers via multiple access points in their premises and we manage, troubleshoot, monitor and fix such Wi-Fi system remotely. Our customers are able to enjoy higher bandwidth speeds and multiple devices may be connected to the Wi-Fi at any given time.

Managed printing services: We set up and link up the network of printing systems for our customers and rent the entire set of printers to them during the service period. We also provide our customers with print tracking and reporting services, alongside with the status and state of the printing consumables, such that they may have an insight as to the printing statistics and an overview as to their internal print expenses for managing printing budgets as well as eliminating underused or misused print devices. Further, based on our customers' needs, the print jobs may be secured by the implementation of print security policy.

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Cloud solutions: With the increasing trend in using cloud computing technologies by enterprises for data storage and daily operation, we have rolled out cloud solutions as part of our managed services. We assist in building up of the private cloud infrastructure as well as its management and provide customisation of the applications running on the cloud as requested by our customers.

Compared to professional IT services the service fees of which are mainly charged by stages and could vary greatly between projects, the fees we charge our customers under our managed services are subscription fees comprising lump-sum and/or periodic service fee and/or leasing fee. For certain managed services, we also charge leasing fee which we invoice periodically (e.g. quarterly) for the lease of the required IT equipment and/or software to our customers, so that we are able to generate recurring and relatively stable source of revenue during the service period. See “Pricing Strategy” in this section for further details. We recorded leasing income from IT equipment in the amount of HK\$0.7 million, HK\$21.1 million and HK\$16.7 million, respectively, during the Track Record Period. With providing ongoing support and interactions with our customers, we will also be able to consolidate the business relationship with them.

Our managed services are complemented by our in-house software development efforts. We focus our in-house software development efforts in developing customised applications, such as system infrastructure auto-provisioning application, database migration application, e-document tracking, and mobile application, for our customers, which are deployed as part of the managed services we offer to our customers. Through the deployment of customised applications, the scope and quality of our managed services provided are no longer restricted by the applications typically offered by third parties such as system vendors and the application features can be enhanced and be more well-suited to the needs of our customers.

Our revenue from the provision of managed services and lease income increased from HK\$1.8 million in FY2019 to HK\$29.6 million in FY2020. This is primarily attributable to the increase in the number of managed security services contracts newly awarded by governmental bodies in Macau from four for FY2019 to 14 for FY2020. Our revenue from the provision of managed services and lease income increased by HK\$5.8 million to HK\$35.4 million for FY2021 from HK\$29.6 million for FY2020. Such increase was primarily attributable to the provision of the private cloud as a service project for Customer E during FY2021. For details, see “Financial Information — Review of Historical Results of Operation” in this prospectus.

IT maintenance and consultancy services

In addition to the post-sales maintenance and support services which are included in our professional IT services during the warranty period, we may be engaged by customers of our professional IT services business to provide extended (in case where the warranty period of our post-sales maintenance and support services has expired) or standalone maintenance services on IT systems or applications that are built and developed by us or by third parties. Extended maintenance services may also be provided by our distribution arm in Hong Kong to customers under our distribution business for the products sold and such request is made at the time when or after our customers place the purchase order. Based on the required support and service locations, we offer telephone, remote as well as online troubleshooting on pre-defined IT systems and call escalation to support from system vendors. We provide troubleshooting and/or technical support to solve usage difficulties upon receiving support request from our customers. We follow the similar maintenance support flow that we adopt for our post-sales maintenance and support in respect of

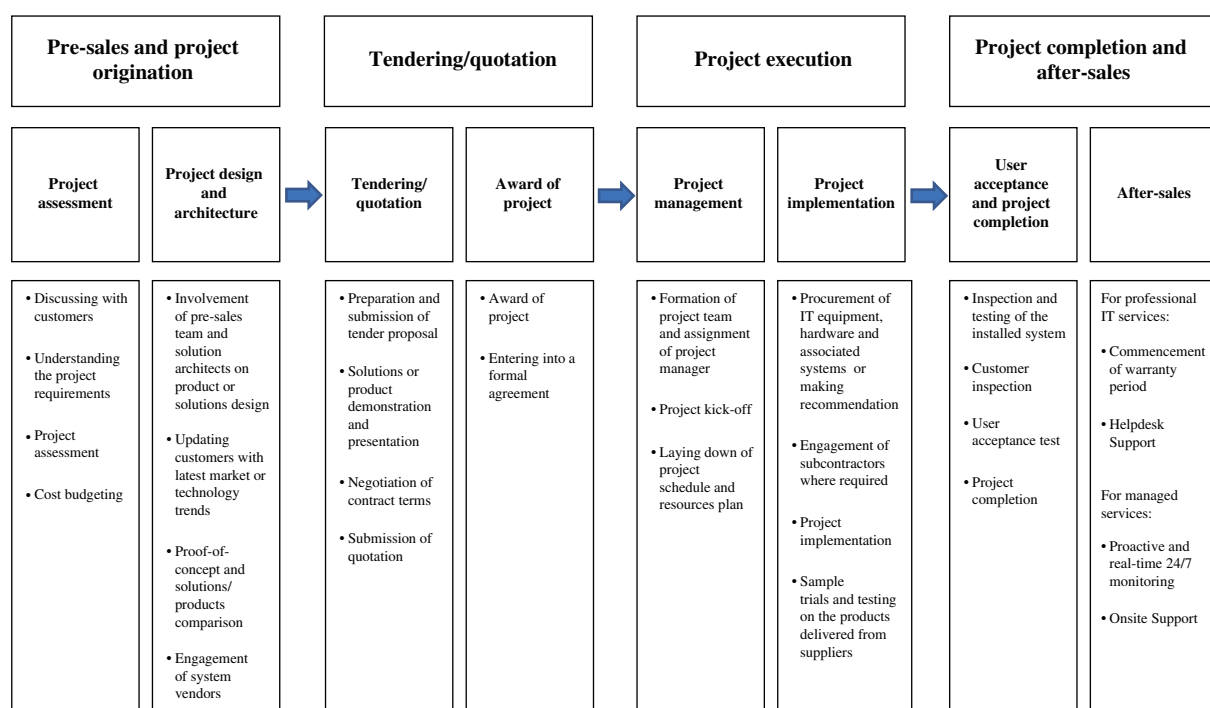
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professional IT services. See “After-sales Services and Warranty” in this section for details. Other follow up support services including IT spare parts swapping and ongoing system maintenance and health check are also provided.

Further, we offer IT consultancy and advisory services, which aim at assisting our customers in assessing their IT operational environment and IT related compliance with government requirements, such as attending to the on-site survey on our customer’s premises for building up a Wi-Fi network, for a fixed service fee.

Operational flow of our professional IT services and managed services

The diagram below illustrates the key steps of the workflow of our professional IT services and managed services:



Pre-sales and project origination

Our account managers from the sales department are responsible for reaching out to potential customers to identify business opportunity and understand the requirements of any potential project such that we would be able to design the IT or system infrastructure that would be relevant to their specific needs at the concept stage of the project and offer customised solutions for them, thereby increasing our chance of winning the contract. They are also responsible for client relationships management and are regularly in touch with our customers for potential upcoming projects and plans.

After we have identified a potential project, we will review the project requirements and conduct internal assessment of such projects, taking into account a number of factors, including technical specifications, cost budgeting, project location, project prospects, background of the potential customers and whether necessary licences, certificates and/or permits have been obtained. Our pre-sales teams from the Business Consultation Department would be involved in

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recommending suitable products and associated system designs for use by our customers, making products or solutions comparison and provide professional technical advice on system and project design. After project assessment, where the project requires designing our customer's IT infrastructure or involves specific technical areas, our solution architect(s) may be deployed according to their respective areas of expertise to design the infrastructure or solutions, perform testing, demonstrations or proof-of-concept on specific products or systems such that customers would fully understand the use and compatibility of such products/systems prior to confirming the project design. We would also provide updates to customers on the latest market and technology trends and introduce new products and solutions as appropriate. After obtaining the knowledge of the specific products, hardware and the associated systems that may be used by the customers in the project, we will, where required, engage relevant system vendors by obtaining their technical views and advice on the project.

Tendering/quotation

During the Track Record Period, we were awarded 50, 62 and 65 new contracts of enterprise IT solutions, respectively, with awarded contract value of HK\$1 million or above. Amongst these new contracts, during the Track Record Period, 37, 49 and 49, respectively, were secured by us through submitting quotations. For details, see "Our Projects" in this section.

For contracts awarded by customers such as gaming and hotel brands, governmental bodies and education institutions, in case where the contract value is significant, these customers may award the contract by way of tender. The following table sets out a summary of our tender success rates in respect of contracts of enterprise IT solutions (including contracts for the provision of professional IT services, managed services and maintenance services with awarded contract value of HK\$1 million or above) which were awarded by way of tender:

	No. of tenders submitted	Contracts awarded		Success rate
		(No.)	(Contract amount) (HK\$'000)	
FY2019.....	24	13	120,042	54.2%
FY2020.....	35	13	78,800	37.1%
FY2021	43	16	39,695	37.2%

In FY2020, we have submitted a larger number of tenders in respect of enterprise IT solutions contracts as compared to the previous year of the Track Record Period, but we were awarded the same number of contracts as in FY2019, resulting in a lower tender success rate for FY2020. The potential contracts for which we submitted the tenders for FY2020 were mainly relating to the IT work of a smaller scale and for customers which are mainly governmental bodies and commercial customers, as customers from the gaming and hospitality sector who generally awarded larger-scale projects had postponed their development plans in FY2020 due to the outbreak of COVID-19 and hence, their invitation for tenders. The tenders we submitted for FY2020 were generally more competitive in terms of the tender pricing. We submitted the tenders as a way to maximise our business opportunities, maintain the relationship with our customers and increase our visibility, even though we were more experienced in larger-scale projects involving the design, architecture and building up of total IT solutions. In FY2021, we were awarded more enterprise IT solutions contracts by tender as compared to FY2020 but the aggregate awarded contract amount for FY2021 was lower than that for FY2020. Such decrease in aggregate awarded contract amount despite an increase in number of awarded tenders was mainly as a result of (i) a five-year managed services contract with contract value of HK\$57.0 million was secured by way

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of tender with Customer E for FY2020, which contributed to the relatively higher aggregate awarded contract amount in FY2020; and (ii) most of the awarded tenders for FY2021 were relating to IT work of a smaller scale for governmental bodies and with contract value of around HK\$1 million.

Our account managers are responsible for the preparation of tender proposals. During the tendering process, for complex or large-scale projects, we may also be required to perform demonstration or presentation of our solution proposal to the customer. Our account managers and pre-sales teams are also responsible for negotiating the contract terms with our customers. Our other departments may also be involved in the contract negotiation process with potential customers on areas that may require their advice and input. For further details of our tender preparation and submission process, see “Sales and Marketing — Tenders submission” in this section. After a project has been awarded to us, we enter into formal agreements (which in general include a master agreement and/or a statement of work) with our customers.

For project which we are not required to go through the tendering process, we submit price quotation after obtaining internal approval to the potential customers which typically sets out the description, price and quantity of the hardware and/or the associated system required and the expected project completion date. The customers would then counter-sign on the price quotation to acknowledge their acceptance or enter into a formal agreement with us.

Project execution

After the award of contract and execution of formal agreement, the project is formally kick-started. Typically a project team comprising project manager(s), engineer(s) and technical leader will be formed to oversee and advice on the entire project scope, including project quality and safety, labour management and supervision and supply and equipment management, as well as the technical aspects of a project and specific requirements of customers, to ensure smooth project execution. Depending on the work nature (such as whether the project involves Wi-Fi networking), level of complexity and scale of the project, our project team generally comprises two to over 20 members. The project team will prepare relevant project documents, including the project schedule and the resources plan, for implementing the project.

We will then begin to implement the proposed design in accordance with the technical requirements and terms under the tender documents and the formal agreement. We will also procure (or make procurement recommendation) the required hardware and the associated system from the authorised distributor(s) of the relevant system vendor(s) according to the bill of materials. For further details of our suppliers, see “Our Major Suppliers — Characteristics of our suppliers” in this section. The ordered products and components are generally delivered to the site of our customers by us either directly or via third-party logistic service providers, after which we will then proceed with sample testing, installation and configuration. We have designated an area in our office in Macau for use as a solutions laboratory where we may, together with our customers, perform a pre-installation compatibility testing of the solutions to be deployed in our customers’ operational environment where needed. Such solutions laboratory is also used by us for performing, in a virtual environment, solutions testing, proof-of-concept, experimentation and for external and internal trainings.

We may engage subcontractors to complete and deliver the manual works such as cabling, hardware installing and Wi-Fi mounting services for our projects in accordance with the requirements set out in the contract. For details of the subcontracting arrangement, see “Subcontracting Arrangement” in this section.

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As disclosed in “Our Major Customers — Key terms and conditions of the agreements entered into with our major customers — Enterprise IT solutions business” in this section, payments for our enterprise IT solutions are generally paid by stages according to project milestone dates. As such, the revenue recognised under the relevant contract is commensurate with the value of work performed and completed by us. Accordingly, we may incur significant upfront costs at the early stage of the project, and such upfront costs normally cover procurement costs of the required hardware and the associated system, our staff costs and subcontracting fee (where applicable). For contracts awarded by our major customers during the Track Record Period, such upfront costs represented 12% to over 90% of the total awarded contract value of a project.

We have established project management and quality control procedures in place and we adhere to such procedures throughout the entire project execution phase to ensure our compliance with the project requirements and our deliverables to be of consistent quality. See “Quality Control” in this section for further details.

Project completion and warranty

Upon completion of the project, our project team will perform internal inspection and testing of the installed systems. A user acceptance testing is prepared by the project team for customers to formally try and accept the developed system. Upon the completion of the user acceptance testing, the project is accepted as formally completed.

Depending on the project nature and scale, the duration of our major enterprise IT solutions projects typically ranges from one year to five years (including the period covered by our post sales maintenance and support).

For professional IT services, the warranty period during which we will provide post-sales maintenance and support services commences upon completion of the project. Such warranty period generally ranges from 12 to 36 months from the date of completion of project implementation and varies from project to project. We are required to maintain the installed systems in good order and ensure they function efficiently and effectively in accordance with the specifications and requirements. We will also respond to customer inquiries and service requests if they encounter any issues when operating the installed systems. For projects of managed services, during the service period, we proactively monitor and manage our customers’ systems and infrastructures 24/7 and we offer onsite support where needed. See “After-sales Services and Warranty — Enterprise IT solutions business” in this section for further details.

Distribution and resale businesses

Distribution business

During the Track Record Period, we had been engaging in the distribution and sale in Hong Kong of mobility and security related hardware and the associated system. The number of brands we carried during the Track Record Period and as at the Latest Practicable Date was 10, 12, 12 and 12, respectively, which comprised internationally reputable brands of corporate mobility solutions, such as Aruba and Peplink for Wi-Fi and 5G devices, and cybersecurity solutions, such as Checkpoint and Trend Micro for firewalls and end-point protection software.

We provide value-added distribution services to our customers (who are mainly downstream solution providers and resellers) under this business. In distributing and selling the hardware and the associated system to our customers, we provide technical advice, presentations, trainings and

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demonstrations on the features and uses of the products as well as introduction of relevant new products as requested by our customers. On the other hand, we as an authorised distributor may also be requested by the system vendor to offer product briefings or trainings on its behalf to our customers to assist them to obtain product certifications. We also assist our customers in liaising with the system vendor and arranging for product swapping or replacement in case there is any faulty or defective item. See “After-sales Services and Warranty — Distribution and resale businesses” in this section for further details. The type and nature of products sold by us are much determined based on the specific requests of the end-users as communicated to us through our customers and the industries in which the end-users operate.

Our distribution business is mainly carried out through Synergy CCL, our wholly-owned subsidiary and distribution arm in Hong Kong. Established in 1990, Synergy CCL is a well-established distributor of mobility and security related hardware and the associated system in Hong Kong. As at 31 December 2021, Synergy CCL had a professional sales team of 11 members and a technical team of 19 members. The business of Synergy CCL was integrated into the business of our Group’s following the Acquisition of Synergy CCL and completion of the Reorganisation. We consider that the Acquisition of Synergy CCL has brought us the following advantages:

- *Extended our reach to new suppliers:* Synergy CCL has been strategically focusing on the distribution and sale of mobility and security related hardware and the associated system in Hong Kong and it has established stable and long-term relationships with a number of system vendors in networking and cybersecurity areas. With Synergy CCL being our distribution arm, we are able to leverage on its established sourcing network and identify new suppliers (being system vendors) for our enterprise IT solution projects, with whom we may also partner for the purpose of our project tender submission, especially in the area of networking and cybersecurity.
- *Enhanced our control over supply chain and enjoy synergy:* As part of the workflow of our professional IT services and managed services, we may be required to assist in the procurement of hardware, the associated systems and components or make procurement recommendations. Through the vertical integration of Synergy CCL, we have enhanced control over the supply chain as and when the project involves procurement of hardware, the associated system and components, and are in a better position to obtain technical views and advice from the system vendors where required.
- *Strengthened our product knowledge and market intelligence:* As a value-added authorised distributor, the sales and technical teams of Synergy CCL are required to attend product or industry trainings, and obtain relevant up-to-date industry or technical certifications. They also maintain an active and continuous dialogue with our customers as well as system vendors as to the latest technical development, market trend, product offerings and user needs. Hence, through the Acquisition of Synergy CCL, we have gained direct access to the talent pool of Synergy CCL equipped with strong product knowledge and first-hand market intelligence, which in turn strengthened our overall ability to roll out customised solutions and advise our customers on related project design and implementation.
- *Generated cross-selling opportunities:* Given that we, as a group, are running both enterprise IT solutions and distribution of IT related hardware which are businesses along the same value chain and have their own target customer group, we are able to reach out more customers and enlarge our customer base. Where appropriate, we are

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able to incorporate the hardware and system that Synergy CCL is able to offer in our overall infrastructure or system design, or introduce the portfolio of brands or products or solutions that our Group companies are selling to interested customers across different businesses, thereby developing cross-selling and business opportunities.

- *Elevated our corporate profile:* As part of our role as a value-added authorised distributor and the sales window of the system vendors, Synergy CCL cooperates with system vendors in launching or initiating sales and marketing activities, despatching sales personnel to develop sales channels, delivering trainings and product demonstrations to users, and engages in new product development and proof-of-concept of system vendors. Through such activities, we are able to increase our overall visibility and business profile as a group.

Under our distribution business, we normally will enter into distribution agreement with each system vendor to acknowledge our status as an authorised distributor and to govern the region and type of products that we are authorised to distribute and sell. During the Track Record Period, we, via Synergy CCL, were the authorised distributor of nine, 11 and 11 system vendors in Hong Kong, and as at the Latest Practicable Date, of a total of 11 distributorships granted to us, two were sole distributorship. We, through Synergy CCL, were the sole authorised distributor of Supplier J and Supplier K, two distinguished system vendors in Hong Kong, which in aggregate contributed 6.6%, 9.0% and 1.5% of the total revenue in our distribution business during the Track Record Period. We have established relationships with our system vendors from one year to 15 years (including the period before the Acquisition of Synergy CCL). Pursuant to the distribution agreement entered into with the system vendors, apart from the procurement logistics with these system vendors, we also cooperate with them in launching or initiating sales and marketing activities, developing sale channels in their designated market, delivering trainings and product demonstrations to users. In order for us to maintain such relationship and be recognised as the authorised distributor, our sales and technical teams are required to attend product or industry trainings, and obtain up-to-date certifications in various areas covering networking, virtualisation and network security.

Resale business

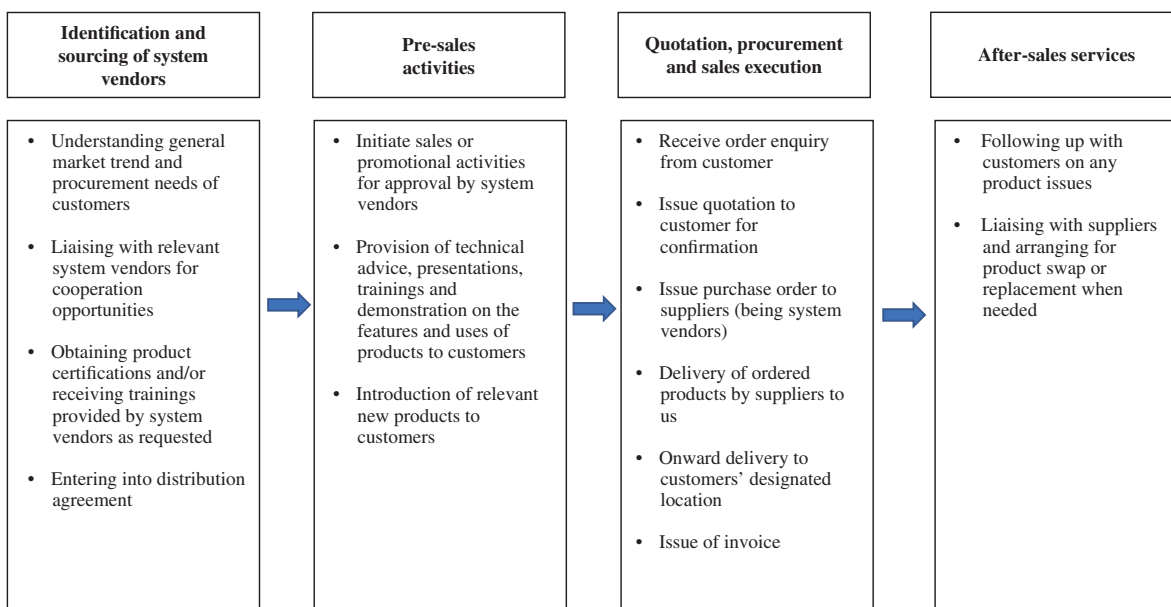
Under the resale business, we purchase hardware and software from upstream suppliers (which are mainly distributors) for onward sale to our customers in Macau based on purchase order. Customers under this business comprise gaming and hotel brands, education institutions and banks and financial institutions, and most of them are existing or previous customers of our enterprise IT solutions business. We believe that customers under this business, including customers of our professional IT services, managed services and IT maintenance and consultancy services businesses, who had limited sourcing capability in hardware and software made procurement from us during the Track Record Period as they had confidence in our sourcing network and the reliability of our customer services based on their past experience and our word-of-mouth reputation in the market. In addition to enterprise IT solutions, our customers of our professional IT services business may also place separate purchase orders on a standalone basis for hardware and software products which are requested by them to fulfil their own business needs and such products are separate from those required for their enterprise IT solutions projects. By handling orders from customers under this business, we are able to foster ongoing business relationship with them and expand our source of revenue. Products sold under the resale business include laptops, licences for window operating system and third party software, which are ordered by customers for their own business needs. Upon receipt of a customer's purchase order, normally

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we will place a back-to-back purchase order to the suppliers. In some cases when the order of hardware is in bulk, our customers may also require us to provide initial installation, set-up or deployment services to them.

Operational flow of our distribution and resale businesses

The diagram below illustrates the workflow of our distribution business:



Identification and sourcing of system vendors

Under our distribution business, the products sold by us are much determined based on the specific requests and needs of the end-users. Hence, it is fundamental for us to keep abreast of the general and latest market trend as well as the procurement needs and preferences of the end-users. Our sales department is responsible for maintaining regular and close contacts with our customers whom in turn directly interact with the end-users and to us their needs and preferences. We actively approach the relevant system vendors, with a focus on mobility and security related hardware and the associated system, after understanding the market trend and the procurement need and requirement of our customer to get hold of their latest product portfolios and seek cooperation opportunities. When there is a potential brand or product which we consider is of market interest and potential, we will liaise with the system vendor for the authorised distribution right. To become an authorised distributor, our technical team attend the trainings and examination requested and provided by the system vendor and obtain requisite certifications. Given our strategic focus on mobility and security related brands, our staff are generally well equipped with the specific and necessary technical qualifications and knowledge in relation to a range of related products. Our business relationship with system vendors is governed by the distribution agreement entered into with them. For the salient terms of such agreement, see “Our Major Suppliers — Key terms for the agreements with system vendors — Distribution agreement” in this section.

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Pre-sales activities

As an authorised distributor, we undertake an obligation to promote and market the products supplied by the system vendors, including proposing and initiating promotional activities for approval by them, providing training and demonstration and introduce relevant new products to customers. During the quotation process and as a value-added authorised distributor, we may also be requested to provide technical advice, presentations, training and demonstrations on the features and uses of the products to the customers or users.

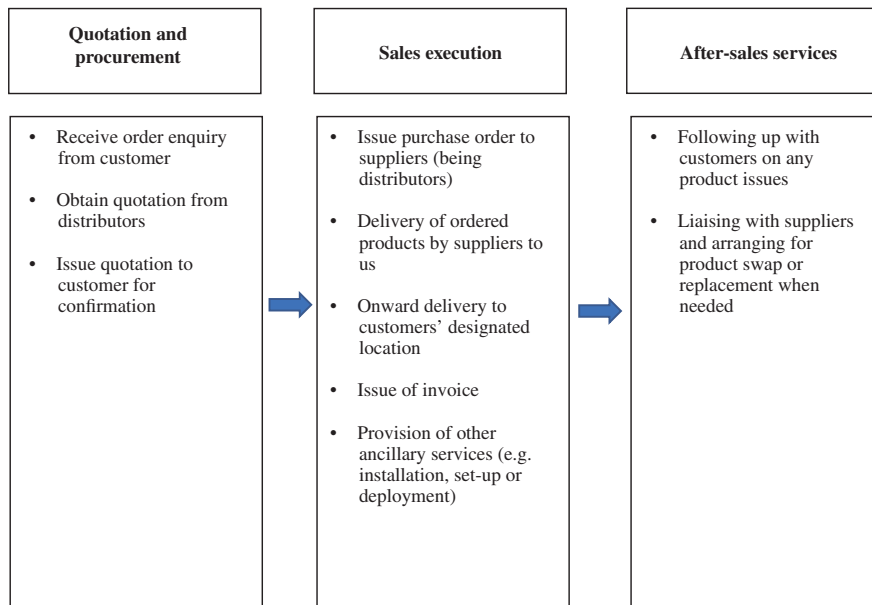
Quotation, procurement and sales execution

Once we have received an order enquiry or purchase request from our customers, we will normally seek quotation from the supplier of the corresponding products and provide price quotation to our customers. Upon confirmation of the price quotation by our customers, we place purchase order to our supplier mainly via their online system or through e-mail. After placing of purchase order, our supplier would provide us with a product delivery schedule and we monitor and follow up with the delivery status of the ordered products accordingly. Our supplier will arrange product delivery to the third-party warehouse leased by us. We will then deliver the products either directly to our customers or to the places designated by our customers. We normally issue invoice to them at the same time of delivery.

After-sales services

As we are the authorised distributor of hardware and the associated systems, we are generally responsible for ensuring that the products sourced conform to the requirements of our customers and following up with the system vendors for any faulty or defective products. The products are generally purchased by our customers with the standard warranty provided by the system vendors. In case if our customers notify us that any of the product is faulty or defective upon arrival, we assist in reporting the incident to the system vendor and arranging for any product return and/or replacement. We may also provide onsite support to our customers or to the end-users on a case-by-case basis.

The diagram below illustrates the workflow of our resale business:



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Under our resale business, when we receive order enquiry from our customer, we obtain quotation from the relevant authorised distributor. We issue price quotation to our customer for confirmation and simultaneously place purchase order to the authorised distributor. Upon receiving the products delivered by the authorised distributor, we arrange delivery of products to the location designated by our customer and we may, on a case-by-case basis and upon the request of our customer, provide ancillary services such as hardware installation, system set-up or software deployment. We also provide certain after-sales services, including following up with customers on product issues such as usage problem and liaising with the authorised distributor for product exchange. Therefore, we consider ourselves being the principal to the transaction.

Business risks of our distribution and resale businesses

Given the difference in nature of our distribution and resale businesses and in view of their respective operational workflow as described above, we are subject to different levels of business risks in the following key aspects:

Flexibility in taking product orders

Under our distribution business, we are generally governed by the distribution agreements entered into with system vendors as to the type of products and regions which we are authorised to distribute and sell. Also, we may lose existing customers if they switch to using products of system vendors of whom we are not an authorised distributor.

Under our resale business, we purchase hardware and software from upstream suppliers for onward sale to our customers based on their purchase orders. We have a greater flexibility in taking product orders under our resale business and may source hardware and software from different distributors.

Flexibility of source of supply

We normally issue purchase order to the relevant system vendors when we receive an order enquiry from our customers under our distribution business. While such product supply is generally stable, in the case if there is a shortage of supplies from the system vendor, there may not be alternative products available of which we are authorised to distribute and sell as replacement. Also, we may have to purchase products from our system vendors in advance in view of the expected shortage of supplies in order to reduce the lead time for fulfilling anticipated demands of our customers, and this may in turn subject us to a higher level of inventory risk.

For our resale business, if there is a shortage of product supply, we may liaise with our customers to source products from alternative supplier and obtain quotation accordingly. Given the nature of products sourced by our customers under our resale business, such as laptops and third party software and licences, replacement products are generally more readily available and we have more flexibility in sourcing the supply.

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Flexibility on product pricing

Under our distribution business, system vendors normally provide us with suggested price of its products and we may set the selling price above or below the suggested price by reference to our target profit margin and any other restriction or covenant relating to pricing that we may need to observe. Therefore, we may not have a high degree of flexibility in setting the selling price. For further details, see “Pricing Strategy — Distribution and resale businesses” in this section.

Under our resale business, we also charge our price on a cost-plus basis but we are relatively flexible in terms of setting product price.

Availability and level of after-sales services

As discussed in the paragraph headed “Operational Flow of our distribution and resale businesses” above, in case if there is any product issue under our distribution and resale businesses, we follow up the same with our customers and liaise with the suppliers (being system vendors under the distribution business and distributors under the resale business) accordingly for product swap or replacement. The level of business risks that we are subject to under our distribution and resale business are similar in this regard.

OUR PROJECTS

Number of contracts awarded

The table below sets out the number of contracts of enterprise IT solutions (including contracts for the provision of professional IT services, managed services and maintenance services) which were awarded to us, in terms of the range of contract value, and the revenue recognised under such contracts during the Track Record Period:

	FY2019			FY2020			FY2021		
	No. of contract awarded <i>(Note)</i>	Revenue recognised during the year <i>(HK\$'000)</i>	% to total revenue	No. of contract awarded <i>(Note)</i>	Revenue recognised during the year <i>(HK\$'000)</i>	% to total revenue	No. of contract awarded <i>(Note)</i>	Revenue recognised during the year <i>(HK\$'000)</i>	% to total revenue
Awarded contract value									
HK\$1,000,000 or above	50	220,775	43.9	62	169,083	35.6	65	188,251	35.2
HK\$500,000 to HK\$1,000,000	45	23,058	4.6	43	25,255	5.3	62	27,130	5.1
Below HK\$500,000.	728	30,816	6.1	1,517	36,104	7.6	1,052	49,891	9.3
Total	823	274,650	54.6	1,622	230,443	48.5	1,179	265,272	49.6

Note: The contract may cover one or more than one type of enterprise IT solutions services provided by us.

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Breakdown of revenue by completed and ongoing contracts

The table below sets out the breakdown of our revenue and number of contracts of enterprise IT solutions (including contracts for the provision of professional IT services, managed services and maintenance services) by status during the Track Record Period:

	FY2019		FY2020		FY2021	
	No. of contracts completed or in progress	Revenue recognised for the year (HK\$'000)	No. of contracts completed or in progress	Revenue recognised for the year (HK\$'000)	No. of contracts completed or in progress	Revenue recognised for the year (HK\$'000)
Completed	717	90,590	1,433	36,331	1,140	69,668
In progress	867	239,037	1,056	292,282	1,095	325,296
Total	1,584	329,628	2,489	328,613	2,235	394,964

The number of completed contracts of enterprise IT solutions in FY2020 has increased from 717 in FY2019 to 1,433 in FY2020. However, the revenue recognised from completed contracts in FY2020 amounted to HK\$36.3 million, as compared to HK\$90.6 million for FY2019. This was attributable to (i) the fact that most of the contracts completed for FY2020 were small-sized contracts with awarded contract value of below HK\$500,000; and (ii) the status of performance of certain contracts were reaching the end of the respective project cycle in FY2020 with only insignificant amount of remaining contract value.

Breakdown of contracts by solutions and services type

The table below sets out the movement of the number of our enterprise IT solutions contracts (in progress) by solutions and services type during the Track Record Period:

	FY2019			FY2020			FY2021		
	Professional IT services	Managed services	Maintenance services	Professional IT services	Managed services	Maintenance services	Professional IT services	Managed services	Maintenance services
Number of contracts as at 1 January of the relevant year (Note 1)	275	1	485	364	7	496	495	15	546
Number of new contracts awarded during the year	268	13	542	263	27	1,332	235	53	891
Number of contracts completed during the year (Note 2)	(179)	(7)	(531)	(132)	(19)	(1,282)	(308)	(42)	(790)
Number of contracts as at 31 December of the relevant year (Note 3)	364	7	496	495	15	546	422	26	647
		Total	867		Total	1,056		Total	1,095

Notes:

- The number of contracts where the percentage of completion had not reached 100% as at the beginning of the relevant year.
- The number of contracts where the percentage of completion had reached 100% during the relevant year.
- The number of contracts where the percentage of completion had not reached 100% as at the end of the relevant year.
- Save for the managed services project for Customer E (see “Top 10 projects on hand” below), the Cotai Casino Expansion Project awarded by Customer D in FY2020 and the managed services project for Customer N awarded in FY2019 which were constituted by more than one contract, all of our projects of enterprise IT solutions as indicated in the above table were constituted by one contract as awarded by the relevant customer.

BUSINESS

Top five projects

The following tables set out the details of our top five projects of enterprise IT solutions (constituted by one or more than one contract on the same subject matter awarded by the same customer) in terms of revenue recognised under the relevant contracts for the relevant year mentioned below. For illustrative purpose, any project which has been a top five project in any financial year during the Track Record Period will not appear again on the list of top five projects for the subsequent financial year(s):

FY2019

Rank	Areas of services covered	Customer	Location	Project period (month)	Awarded contract amount (HK\$'000)	Revenue recognised in FY2019 (HK\$'000)	Revenue recognised in FY2020 (HK\$'000)	Revenue recognised in FY2021 (HK\$'000)	Total	Month and year of completion/ expected completion	
1.	Professional IT services — system infrastructure & cybersecurity, for a casino operator (<i>Note 1</i>)	Customer F	Cotai	44	82,357	54,248	13,821	13,252	81,321	November 2022	
2.	Professional IT services — total professional IT services solution, for an integrated resort operator (<i>Note 2</i>)	Customer G	Cotai	75	74,929	51,261	11,334	8,484	71,079	August 2025	
3.	Professional IT services — data networking, for an integrated resort operator (<i>Note 3</i>)	Customer E	Cotai	52	21,720	12,720	5,108	1,577	19,405	September 2023	
4.	Professional IT services — total professional IT services solution, for an entertainment and resort operator	Customer H	Macau peninsula	12	7,863	7,701	162	—	7,863	May 2020	
5.	Professional IT services — virtualisation, for a casino operator .	Customer F	Cotai	9	6,741	6,741	—	—	6,741	November 2019	
					Total	132,671	30,425	23,313	186,409		

Notes:

1. This is the New Property SI Project.
2. This is the Resort Complex Project.
3. This is the Surveillance Network Project.

BUSINESS

FY2020

Rank	Areas of services covered	Customer	Location	Project period (month)	Awarded contract amount (HK\$'000)	Revenue recognised in FY2019 (HK\$'000)	Revenue recognised in FY2020 (HK\$'000)	Revenue recognised in FY2021 (HK\$'000)	Total (HK\$'000)	Month and year of completion/ expected completion
1.	Managed services — managed IT infrastructure & cloud solutions, for an integrated resort operator (Note 1)	Customer E	Cotai/Hong Kong	60	62,806	—	21,035	20,008	41,043	December 2025
2.	Professional IT services — system infrastructure, for an integrated resort operator (Note 2)	Customer D	Cotai	Not specified (Note 2)	118,949	5	20,091	92,364	112,455	Not specified (Note 2)
3.	Professional IT services — data networking, for an integrated resort operator.	Customer D	Cotai	21 (Note 3)	14,028	—	10,491	2,954	13,445	March 2022 (Note 3)
4.	Professional IT services — system infrastructure and data networking, for an IT company in Hong Kong	Customer B	Cotai	3	8,491	—	8,491	—	8,491	April 2020
5.	Professional IT services — system infrastructure and data networking, for an IT company in Hong Kong	Customer B	Cotai	3	7,886	—	7,886	—	7,886	April 2020
					Total	5	67,994	115,326	183,320	

Note:

- During FY2021, one additional contract with contract value of HK\$5.8 million was entered into with Customer E for the managed IT infrastructure and cloud solutions project.
- This is the Cotai Casino Expansion Project. During FY2021, 10 additional contracts with total contract value of HK\$103.2 million were entered into with Customer D for the Cotai Casino Expansion Project (and such contract value has been reflected in the awarded contract amount in the above table). The project period and expected completion are not available as at the Latest Practicable Date as they are subject to further discussion between our Group and Customer D.
- The project was completed by March 2022 and the awarded contract amount has been recognised in full.

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FY2021

Rank	Areas of services covered	Customer	Location	Project period (month)	Awarded contract amount (HK\$'000)	Revenue recognised in FY2019 (HK\$'000)	Revenue recognised in FY2020 (HK\$'000)	Revenue recognised in FY2021 (HK\$'000)	Total (HK\$'000)	Month and year of completion/ expected completion
1.	Professional IT services — data networking, for an integrated resort operator.	Customer E	Cotai	36	67,510	—	—	36,048	36,048	August 2024
2.	Professional IT Services — system infrastructure, for a software development company.	Customer O	Cotai	11	12,221	—	—	12,141	12,141 (Note 1)	December 2021
3.	Maintenance services, for an integrated telecommunications service provider.	Customer N	Cotai	37	12,457	—	2,076	4,152	6,228	June 2023
4.	Professional IT Services — data networking, for an integrated resort operator.	Customer M	Macau Peninsula	9	4,199	—	—	4,129	4,129 (Note 1)	September 2021
5.	Professional IT Services — system infrastructure, for a marketing company	Customer S	N/A (Note 2)	10	3,488	—	—	3,425	3,425 (Note 1)	October 2021
					Total	—	2,076	59,895	61,971	

Notes:

- For completed contracts of enterprise IT solutions with total revenue recognised amount during the Track Record Period less than the awarded contract amount, the difference is primarily due to the revenue derived from the provision of post-sales maintenance and support services within the contract warranty period, which may be recognised on a gross or net basis (being the gross or net amount earned as commission from goods sold or services provided). In determining whether revenue of our Group should be reported gross or net, a continuing assessment of various factors shall be made based on and in accordance with the requirements as set out in *IFRS 15 Revenue from Contracts with Customers*. When determining whether our Group is acting as the principal or agent in offering goods or services to our customers, our Group needs to first identify who controls the specified goods or services before they are transferred to the customers. Our Group is regarded as a principal if we obtain control of any of the followings: (i) a good or another asset from the other party that our Group transfers to the customer; (ii) a right to a service to be performed by other party, which gives our Group the ability to direct that party to provide the service to the customer on our Group's behalf; (iii) a good or service from the other party that our Group then consolidates with other goods or services in providing the specified good or service to the customer. If control is unclear, when our Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, our Group records revenues on a gross basis. Otherwise, our Group records the net amount earned as commission from goods sold or services provided.

Based on the above, for the post-sales maintenance and support services that are provided by system vendors under the back-to-back warranties instead of by our Group, our Group would be regarded as a non-primary obligor for the provision of such services and the corresponding revenue is recognised on a net basis.

- This project relates to the design and development of an online purchase platform for Customer S and as such, there is no project location.

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Movement of backlog

The following table sets out the movement of backlog (representing our estimate of the contract value of work remains to be completed as at a certain date) of our contracts of enterprise IT solutions (with breakdown by contracts for the provision of professional IT services, managed services and maintenance services) during the Track Record Period:

	FY2019			FY2020			FY2021		
	Professional IT services	Managed services	Maintenance services	Professional IT services	Managed services	Maintenance services	Professional IT services	Managed services	Maintenance services
	<i>(HK\$'000)</i>			<i>(HK\$'000)</i>			<i>(HK\$'000)</i>		
Opening value of backlog as at 1 January of the relevant year . . .	49,751	339	70,579	126,670	3,578	78,647	96,885	50,808	113,111
Contract value of new contracts awarded during the year	370,987	5,065	41,802	219,147	76,797	84,576	320,118	29,345	55,175
Revenue recognised during the year	(294,068)	(1,826)	(33,734)	(248,932)	(29,568)	(50,113)	(289,223)	(35,353)	(70,388)
Closing value of backlog as at 31 December of the relevant year . .	126,670	3,578	78,647	96,885	50,808	113,111	127,780	44,799	97,898
	Total			Total			Total		
		<u>208,896</u>			<u>260,804</u>			<u>270,477</u>	

Subsequent to 31 December 2021 and up to the Latest Practicable Date, we had secured 353 new contracts of enterprise IT solutions (including contracts for the provision of professional IT services, managed services and maintenance services) with a total awarded contract value of HK\$105.2 million, and we recognised revenue from completed contracts or contracts in progress in the amount of HK\$128.7 million for the same period. As at the Latest Practicable Date, we had a total of 1,040 contracts of enterprise IT solutions and a closing value of backlog of HK\$247.0 million.

Top 10 projects on hand

As at the Latest Practicable Date, we had a total of 1,040 contracts of enterprise IT solutions on hand, with an estimated closing value of backlog in the amount of HK\$247.0 million. The table below sets out the details of our top 10 projects of enterprise IT solutions (constituted by one or more than one contract on the same subject matter awarded by the same customer), which accounted for 48.9% of the estimated closing value of backlog of our contracts of enterprise IT solutions as at the Latest Practicable Date:

Rank (Note 1)	Areas of services covered	Customer	Location	Project period	Project duration (months)	Awarded contract amount (HK\$'000)	Closing value of backlog as at the Latest Practicable Date (HK\$'000)	Estimated revenue to be recognised (Note 2)				
								From 22 June to 31 December 2022	For the financial year ending 31 December 2023	For the financial year ending 31 December 2024	For the financial year ending 31 December 2025	For the financial year ending 31 December 2026
1.	Professional IT services — data networking and maintenance services, for an IT services provider	Customer C	Macau Peninsula	January 2022 to December 2023	24	29,810	29,810	26,829	—	—	—	
2.	Managed services — managed IT infrastructure & cloud solutions, for an integrated resort operator	Customer E	Cotai/Hong Kong	January 2021 to December 2025	60	62,806	17,509	2,497	4,994	4,994	5,025	
3.	Full professional IT services	Zhubai Art College	Zhubai	January 2022 to December 2025	48	17,400	17,400	5,040	10,620	870	870	
4.	Professional IT services — data networking, for an integrated resort operator	Customer E	Cotai	September 2021 to August 2024	36	67,510	17,254	13,302	1,876	1,876	—	
5.	Professional IT services — data networking and maintenance services, for an electricity supplier	Customer R	Macau Peninsula	May 2022 to December 2025	44	19,599	14,783	13,305	493	493	493	
6.	Maintenance services, for an electricity supplier	Customer R	Macau Peninsula	January 2022 to December 2024	36	7,299	6,082	1,216	2,433	2,433	—	
7.	Managed services — managed printing, for a casino operator	Customer F	Cotai	June 2020 to May 2025	60	11,404	5,906	685	1,846	1,846	1,442	
8.	Professional IT services — data networking and maintenance services, for an electricity supplier	Customer R	Macau Peninsula	April 2022 to December 2025	45	4,337	4,321	3,673	216	216	216	
9.	Maintenance services, for an integrated telecommunications services provider	Customer N	Cotai	June 2020 to June 2023	37	12,457	4,152	2,076	2,076	—	—	
10.	Professional IT services — total professional IT services solution (Note 3), for an integrated resort operator	Customer G	Cotai	June 2019 to August 2025	75	74,929	3,542	753	929	929	929	
Total						307,551	120,761	69,578	28,464	13,657	8,975	86

Notes:

- The top 10 projects are ranked based on the estimated closing backlog value as at the Latest Practicable Date. Save for the managed services project for Customer E which were constituted by more than one contract, all of our projects of enterprise IT solutions as indicated in the above table were constituted by one contract awarded by the relevant customer.
- The estimated revenue is made based on our best estimation based on factors including the date(s) specified in the relevant contracts and internal historical statistic data of revenue recognition.
- This is the Resort Complex Project.

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SALES AND MARKETING

Our sales and pre-sales teams

Our sales teams are responsible for identifying new business opportunities as well as establishing and maintaining relationships with our customers. As at 31 December 2021, we had two sales teams in Macau with a total of seven account managers under our sales department. We also have a sales team in Hong Kong comprising 11 members as at 31 December 2021 handling customers of our distribution business.

Each account manager under our enterprise IT solutions business is generally responsible for taking care of key customers, ensuring a high level of customer engagement and responsiveness to customers' feedback. Due to the nature of our business, we require our account managers not only to possess sales and marketing and customer service-related experience, but also in-depth IT product knowledge and related technical skills. Apart from providing services to customers in response to their requests, our account managers also follow up with our customers upon expiry of any of their retainer engagement with us, such as renewal of any professional maintenance and support services.

Apart from our sales teams, under our enterprise IT solutions business, our pre-sales team from the Business Consultation Department would also be engaged to get in touch with our customers and they have a very high level of and early involvement during the entire project phase. They, together with the account managers, work jointly with our customers on systems design and development and provide advice to customers on procurement of hardware and associated systems and system integration. See also "Our Principal Business — Operational flow of our professional IT services and managed services — Pre-sales and project origination" in this section for further details of the coordination of our sales and pre-sales team since origination of an enterprise IT solutions project.

For our distribution and resale businesses, our sales team is responsible for closely following up with customers' orders and maintaining regular contacts with them, offering logistics, procurement, customer relationship and technical support services, and is the main contact point between the system vendors and our customers. Over the years, through the efforts of our sales team, we have successfully developed solid relationships with our major customers and word-of-mouth reputation in the industry. On the other hand, our sales personnel are seen as an important sales window of the system vendors in introducing, promoting and recommending their products to suitable customers.

Tenders submission

In case where we are required to submit tender to secure a contract, in preparing a submission for tender, our account managers, who are responsible for the overall tender submission process and overseeing the coordination between different departments and business units, would first prepare and compile the relevant corporate or administrative documents, such as business registration and any specific qualification certificates obtained by us, according to the requirements of our customers and the tender specifications. Based on the proposed project design, our account managers would obtain fee quotes from the system vendor(s) or their authorised distributor(s) for procuring the relevant hardware and associated system.

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Our pre-sales team, who is generally responsible for overseeing the technical aspects of an enterprise IT solutions project, would liaise and communicate with other relevant departments and business units, and come up with a proposed design and layout of the IT infrastructure or system, the underlying solutions and service scope for inclusion in the tender submission documents. In general, a bill of materials listing out all the hardware and associated systems required and their related costs, a scope of work detailing the services to be provided as well as a set of payment terms are provided as part of the tender documents to be submitted to the potential customer for consideration. In case we are required to perform demonstration or presentation of our solution proposal as part of the tender submission process, we would involve our solution architects in delivering the demonstration and presentation.

Our market activities

Apart from the daily efforts of our sales teams, we from time to time organise online product briefings, seminars and presentations to our customers as part of our marketing activities. We have an annual full-day marketing event in Macau, the “Solution Day”, during which we would introduce to the participating customers and system vendors the latest integrated IT solutions to be rolled out by us in the coming year. We also organise product launch, workshop, seminar or luncheon events jointly with system vendors at which various products or pipeline events are showcased with live demonstrations to promote our business, product and service offerings and enhance our corporate image.

During the Track Record Period, our selling and distribution expenses amounted to HK\$15.3 million, HK\$16.4 million and HK\$18.7 million, respectively, representing 3.0%, 3.4% and 3.5% of our total revenue during the respective periods.

OUR MAJOR CUSTOMERS

During the Track Record Period, we had over 330, 340 and 370 customers, respectively, among which over 230 customers each year during the same periods were recurring customers (i.e. customers which engaged us to provide the solutions and services or purchased from us for more than one financial year during the Track Record Period).

By customer nature, under our enterprise IT solutions business, customers are mainly end-users located in Macau. We also provide services and solutions to intermediaries such as solution companies which outsource the relevant work to us. Our customer portfolio include renowned companies in TMT sector, leading gaming and hotel brands, governmental bodies, education institutions, banks and financial institutions and other commercial customers. Under our distribution business, by customer nature, customers are mainly intermediaries such as downstream solution providers or resellers located in Hong Kong. Under our resale business, our customers are mainly end-users located in Macau, and most of them are existing or previous customers of our enterprise IT solutions business.

As we are also engaged to provide IT maintenance services by customers of our distribution business and customers of our IT maintenance services may place separate purchase order for hardware and software products under our resale business, certain customers of our IT maintenance and consultancy services business were also customers under our distribution and resale businesses; and they contributed 93.7%, 91.4% and 87.9% of the total revenue of our IT maintenance services business and 88.8%, 93.6% and 84.1% of the total revenue of our distribution and resale businesses (and 95.9%, 95.3% and 94.1% of the total revenue of our

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distribution business; and 75.4%, 88.5% and 58.7% of the total revenue of our resale business) during the Track Record Period. For further details, see “Our Principal Business — Enterprise IT solutions business — IT maintenance and consultancy services” in this section.

As discussed in the paragraph headed “Our Business Model — Distribution and resale businesses” under this section, customers of our professional IT services and managed services businesses may also place separate orders on a standalone basis for hardware and software products which are requested by them to fulfil their own business needs. As such, certain of our customers of our professional IT services were also customers of our resale business; and they contributed 95.5%, 93.3% and 91.3% of the total revenue of our professional IT services business and 30.4%, 24.3% and 15.7% of the total revenue of our distribution and resale businesses (and 88.0%, 94.2% and 55.4% of the total revenue of our resale business) during the Track Record Period. Customers of our managed services business who were also customers of our resale business contributed 25.6%, 94.1% and 95.2% of the total revenue of our managed services business and 1.9%, 8.1% and 6.6% of the total revenue of our distribution and resale businesses (and 5.6%, 31.2% and 23.1% of the total revenue of our resale business) during the Track Record Period. During the Track Record Period, none of the customers of our distribution business were also customers of our professional IT services business and managed services business.

The table below sets out a breakdown of our revenue by industry sector of our customers for the indicated periods:

	FY2019		FY2020		FY2021	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Banks and Financial Institution	26,852	5.3	45,693	9.6	35,931	6.7
Gaming and Hospitality	183,507	36.5	159,413	33.5	222,037	41.6
Education	17,255	3.4	12,481	2.6	12,172	2.3
Government	36,111	7.2	49,761	10.5	67,441	12.6
TMT (<i>Note 1</i>)	219,148	43.6	187,539	39.5	175,753	32.9
Others (<i>Note 2</i>)	19,869	4.0	20,421	4.3	20,968	3.9
Total	<u>502,742</u>	<u>100.0</u>	<u>475,308</u>	<u>100.0</u>	<u>534,302</u>	<u>100.0</u>

Notes:

1. “TMT” refers to (i) solution companies which outsource the relevant work to us under our enterprise IT solutions business; (ii) downstream solution providers and resellers under our distribution business; and (iii) telecommunication companies which are end-users of our services or products.
2. “Others” mainly comprises companies in utility, transportation, retail, aviation, construction and other industries.

As illustrated in the above table, the revenue contribution by customers in the gaming and hospitality sector increased from 33.5% for FY2020 to 41.6% for FY2021. Such increase was mainly caused by the Cotai Casino Expansion Project, which is a project awarded by Customer D in relation to the design and deployment of data network infrastructure and surveillance network extension for an integrated resort. For details of this project, see “Our Projects — Top five projects” in this section.

Notwithstanding the above, we have been able to maintain a diversified customer base and source of revenue, as certain of our five largest customers during the Track Record Period are not from the gaming and hospitality sector, including Customer A, Customer C and Customer T. For details, see “Our Major Customers” in this section. Out of our top five projects for FY2020 and FY2021, two and three of them, respectively, are contracts signed with customers not engaged in

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the gaming and hospitality sector. For details, see “Our Projects — Top five projects” in this section. Also, apart from the provision of enterprise IT solutions, we have been engaging in the distribution and sale of mobility and security hardware and system to customers in Macau and Hong Kong during the Track Record Period and do not rely on a single revenue source. See also “Our Principal Business — Distribution and resale businesses” in this section for further details.

While we take pride in our ability to deliver solutions to renowned customers such as customers in the gaming and hospitality sector, the skill sets and experience of our technical staff and the equipment required for delivering the services are not very different from those required for customers in other industry sectors or can be adapted to cater for the specific requirements of our customers from time to time. As such, should there be any material adverse change in the business condition of a particular customer or group of customers engaging in a particular sector, leveraging on our reputation, proven track record and business connection with our major customers, we are confident that we would still be able to effectively seek for new business opportunities from existing or potential customers engaging in the same or other industry(ies), thereby minimising any impact on or interruption to our business operation. Our Directors are of the view that our business is resilient to different economic cycle and is sustainable as evidenced by our relatively stable financial performance during the Track Record Period and our solution offering can be flexibly adapted with reference to change in market condition from time to time.

The table below sets out a breakdown of our revenue by the geographical locations (as determined by the country of domicile in which our Group operates) for the indicated periods:

	FY2019		FY2020		FY2021	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Macau	396,021	78.8	349,856	73.6	405,459	75.9
The PRC	—	—	51	0.0	241	0.0
Hong Kong	106,721	21.2	125,401	26.4	128,602	24.1
Total	<u>502,742</u>	<u>100.0</u>	<u>475,308</u>	<u>100.0</u>	<u>534,302</u>	<u>100.0</u>

The table below sets out a breakdown of our revenue by customer nature for the indicated periods:

	FY2019		FY2020		FY2021	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
End-users	305,172	60.7	342,632	72.1	369,177	69.1
Intermediaries	197,570	39.3	132,676	27.9	165,125	30.9
Total	<u>502,742</u>	<u>100.0</u>	<u>475,308</u>	<u>100.0</u>	<u>534,302</u>	<u>100.0</u>

Revenue from (i) our five largest customers in each year during the Track Record Period collectively accounted for 54.9%, 42.3% and 47.4% of our total revenue during the relevant year, respectively; and (ii) our largest customer in each year during the Track Record Period accounted for 14.8%, 13.0% and 22.1% of our total revenue during the relevant year, respectively. We have established stable business relationship with our major customers and have had business relationship with our five largest customers during the Track Record Period from two to over 10 years.

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The following tables set out the information about our five largest customers for the indicated periods:

FY2019

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue
Customer C . . .	Reseller & end-user	See Note 3	Total professional IT services solutions	2012	30 days	<i>(HK\$'000)</i> 74,413	14.8%
Customer F . . .	End-user	See Note 6	Total professional IT services solutions	2013	30 days	62,063	12.3%
Customer A . . .	Reseller & end-user	See Note 1	Professional IT services solutions — cybersecurity and data networking	2013	30 days/ 45 days	52,542	10.5%
Customer G . . .	End-user	See Note 7	Total professional IT services solutions & Managed services — managed security	2019	30 days	52,375	10.4%
Customer D . . .	End-user	See Note 4	Total professional IT services solutions	2010	30 days	34,830	6.9%
						276,223	54.9%

FY2020

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue
Customer D . . .	End-user	See Note 4	Total professional IT services solutions	2010	30 days	<i>(HK\$'000)</i> 61,758	13.0%
Customer C . . .	Reseller & end-user	See Note 3	Professional IT services solutions — data networking and virtualisation	2012	30 days	39,029	8.2%
Customer E . . .	End-user	See Note 5	Total professional IT services solutions & Managed services — managed IT infrastructure & cloud solutions	2013	30 days	36,707	7.7%
Customer F . . .	End-user	See Note 6	Professional IT services solutions — cybersecurity, system infrastructure and virtualisation	2013	30 days	35,125	7.4%
Customer A	Reseller & end-user	See Note 1	Professional IT services solutions — cybersecurity and data networking	2013	30 days/ 45 days	28,488	6.0%
						201,107	42.3%

BUSINESS

FY2021

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue
Customer D . . .	End-user	See Note 4	Total professional IT services solutions	2010	30 days	<i>(HK\$'000)</i> 118,127	22.1%
Customer E . . .	End-user	See Note 5	Total professional IT services solutions & Managed services — managed IT infrastructure & cloud solutions	2013	30 days	61,783	11.6%
Customer A . . .	Reseller & end-user	See Note 1	Data networking maintenance service	2013	30 days/ 45 days	39,346	7.4%
Customer F . . .	End-user	See Note 6	Professional IT services solutions — cybersecurity, system infrastructure and virtualisation	2013	30 days	18,690	3.5%
Customer T . . .	Reseller & end-user	See Note 13	Cybersecurity solution, data networking hardware and maintenance service	2011	30 days	15,201	2.8%
						253,147	47.4%

Among our five largest customers during each year of the Track Record Period, Customer D, Customer E and Customer F (or their subsidiaries, as appropriate) are companies out of the six enterprises licensed, through concession or sub-concession, to operate casinos in Macau; and their concession status will expire in December 2022. These customers are globally renowned casino and hotel brands with listed company statuses, and they in aggregate accounted for 22.5%, 28.1% and 37.2% of our total revenue for FY2019, FY2020 and FY2021, respectively. Notwithstanding that their concession status will expire in December 2022 and thereafter the concession may be reopened for public tendering, our Group did not experience any material change in business relations with these customers subsequent to 31 December 2021 and up to the Latest Practicable Date nor was there a material decline in their revenue contribution to our Group for FY2020 and FY2021.

While the result of the bidding process for the gaming concession is beyond the control of our Group, the overall demand for the IT solutions services in our Group's target market is still sufficient as evidenced by (i) the growth in the public sector of the IT solutions market in Macau, from MOP569.1 million in 2016 to MOP613.5 million in 2019 and the growth in the private sector from MOP1,067.5 million in 2016 to MOP1,337.3 million in 2019, according to Frost & Sullivan; and (ii) the improved financial performance of the gaming and hotel operators in Macau. Based on publicly available information, the gaming revenue of the concessionaires/sub-concessionaires generally recorded an increase for the six months ended 30 June 2021 as compared to the corresponding period in 2020, and we possessed solid competitive strengths to capture business opportunities whether or not there will be any material change in the gaming concessionaires after the expiry of the existing gaming concessions in Macau. For details of the growth in the public and private sector of IT solutions market in Macau, see "Industry Overview — Overview of IT Solutions Market in Macau and Greater Bay Area — Market Size of Macau IT Solutions Market by Sector" in this prospectus.

BUSINESS

The following tables set out the information about our five largest customers of our enterprise IT solutions business for the indicated periods:

FY2019

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue of our enterprise IT solutions business
Customer F. . .	End-user	See Note 6	Total professional IT services solutions	2013	30 days	(HK\$'000) 61,022	18.5%
Customer G. . .	End-user	See Note 7	Total professional IT services solutions & Managed services — managed security	2019	30 days	51,302	15.6%
Customer C. . .	Reseller & end-user	See Note 3	Total professional IT services solutions	2012	30 days	50,194	15.2%
Customer D. . .	End-user	See Note 4	Total professional IT services solutions	2010	30 days	29,603	9.0%
Customer E. . .	End-user	See Note 5	Professional IT services solutions — system infrastructure and data networking & Managed services — managed IT infrastructure	2013	30 days	14,088	4.3%
						206,209	62.6%

FY2020

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue of our enterprise IT solutions business
Customer D. . .	End-user	See Note 4	Total professional IT services solutions	2010	30 days	(HK\$'000) 57,203	17.5%
Customer F. . .	End-user	See Note 6	Total professional IT services solutions	2013	30 days	33,230	10.1%
Customer E. . .	End-user	See Note 5	Professional IT services solutions — system infrastructure and data networking & Managed services — managed IT infrastructure	2013	30 days	32,775	10.0%
Customer C. . .	Reseller & end-user	See Note 3	Total professional IT services solutions	2012	30 days	18,741	5.7%
Customer B. . .	Reseller & end-user	See Note 2	Total professional IT services solutions	2012	30 days	17,538	5.4%
						159,487	48.7%

BUSINESS

FY2021

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue of our enterprise IT solutions business
Customer D. . .	End-user	See Note 4	Total professional IT services solutions	2010	30 days	(HK\$'000) 116,045	29.3%
Customer E. . .	End-user	See Note 5	Total professional IT services solutions & Managed services — managed IT infrastructure & cloud solutions	2013	30 days	60,027	15.2%
Customer F. . .	End-user	See Note 6	Professional IT services solutions — cybersecurity, system infrastructure and virtualisation	2013	30 days	17,555	4.4%
Customer U. . .	End-user	See Note 14	Professional IT services solutions — system infrastructure	2018	45 days	13,245	3.3%
Customer N. . .	Reseller & end-user	See Note 12	Maintenance services	2017	30 days	12,980	3.3%
						219,852	55.5%

The following tables set out the information about our five largest customers of our distribution and resale businesses for the indicated periods:

FY2019

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue of our distribution and resale businesses
Customer A. . .	Reseller & end-user	See Note 1	Data networking hardware and maintenance service	2013	30 days/ 45 days	(HK\$'000) 42,357	24.4%
Customer C. . .	Reseller & end-user	See Note 3	Data networking hardware and software and cybersecurity solution	2012	30 days	24,219	14.0%
Customer J. . .	Reseller & end-user	See Note 8	Cybersecurity hardware and software	2018	30 days	8,927	5.2%
Customer D. . .	End-user	See Note 4	Data networking hardware and software and maintenance service	2010	30 days	5,227	3.0%
Customer K. . .	Reseller & end-user	See Note 9	Server and maintenance service	2012	30 days	4,666	2.7%
						85,396	49.3%

BUSINESS

FY2020

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue <i>(HK\$'000)</i>	Percentage of total revenue of our distribution and resale businesses
Customer A . . .	Reseller & end-user	See Note 1	Data networking hardware and maintenance service	2013	30 days/ 45 days	22,973	15.7%
Customer C . . .	Reseller & end-user	See Note 3	Cybersecurity solution, data networking hardware and maintenance service	2013	30 days	20,288	13.9%
Customer B . . .	Reseller & end-user	See Note 2	Cybersecurity solution and data networking hardware and software	2012	30 days	8,701	5.9%
Customer L . . .	Reseller & end-user	See Note 10	Cybersecurity solution and data networking hardware and software	2011	30 days	7,208	4.9%
Customer J . . .	Reseller & end-user	See Note 8	Cybersecurity solution	2018	30 days	4,719	3.2%
						63,889	43.6%

FY2021

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue <i>(HK\$'000)</i>	Percentage of total revenue of our distribution and resale businesses
Customer A . . .	Reseller	See Note 1	Data networking maintenance service	2013	30 days/ 45 days	28,932	20.8%
Customer T . . .	Reseller & end-user	See Note 13	Cybersecurity solution, data networking hardware and maintenance service	2011	30 days	13,624	9.8%
Customer C . . .	Reseller & end-user	See Note 3	Cybersecurity solution, data networking hardware and maintenance service	2012	30 days/ 45 days	6,917	5.0%
Customer Q . . .	Reseller	See Note 11	Data networking hardware	2017	30 days	6,381	4.6%
Customer L . . .	Reseller & end-user	See Note 10	Cybersecurity solution	2011	30 days	5,172	3.7%
						61,026	43.9%

BUSINESS

Notes:

1. Customer A is a group of companies whose parent company is a company listed on the Main Board of the Stock Exchange. The group engages in telecommunications, media, IT solutions, property development and investment, and other businesses.
2. Customer B is a group of companies whose parent company is a company listed on the Tokyo Stock Exchange. It engages in the provision of information and communication technologies and telecommunication network services in Hong Kong and Macau. As at 31 March 2021, its parent company has worldwide business operations with approximately 115,000 employees and 300 subsidiaries across the globe.
3. Customer C is a group of companies whose parent company is a company listed on the Main Board of the Stock Exchange. The group has operations spanning across Hong Kong, Singapore, Malaysia, the PRC and Macau and is a leading integrated telecommunication and technology solution provider.
4. Customer D is a company listed on the Main Board of the Stock Exchange. It is one of the three original gaming concessionaires to operate in Macau and engages in the business of resorts, hospitality and gaming, with approximately 17,700 employees in Hong Kong, Macau and the PRC according to its annual report for 2021.
5. Customer E is a company listed on the NASDAQ. Its subsidiary is one of six companies licensed, through concession or sub-concession, to operate casinos in Macau. It is a developer, owner and operator of integrated resort facilities in Asia and Europe with around 18,000 employees worldwide according to its annual report for 2021.
6. Customer F is a company listed on the Main Board of the Stock Exchange. It is one of the six companies authorised under the terms of concession granted by the Macau government to operate casinos and gaming area. It conducts casino gaming operations and gaming-related activities in Macau, with approximately 20,300 employees as at 31 March 2021.
7. Customer G is a developer of leisure and entertainment integrated resort facilities in Macau.
8. Customer J is a provider of IT security solutions and consultancy services in Hong Kong.
9. Customer K is a subsidiary of a company listed on the Main Board of the Stock Exchange. It is one of the leading integrated telecommunications services providers in Macau, offering a range of professional telecommunication services including mobile, fixed telephone network, broadband and enterprise solutions.
10. Customer L is a wholly-owned subsidiary of a company listed on the Main Board of the Stock Exchange. It engages in the sale of computer products and solutions and provision of IT hardware (including installation and maintenance services) and software services (including software development, consultancy and professional services).
11. Customer Q is a solution provider and system supplier in Hong Kong.
12. Customer N is a group of companies whose parent company is a company listed on the Main Board of the Stock Exchange. This group of companies primarily engages in the provision of wireline and mobile telecommunications services, internet access services, information services and other value-added telecommunication services in the PRC.
13. Customer T is a digital technology solution and managed service provider in Hong Kong.
14. Customer U is a regulatory institution in Macau which supervises monetary and financial operations.
15. All customers as stated in the above table were customers of both the enterprise IT solutions business as well as the distribution and resale businesses.

Under our enterprise IT solutions business, normally we are eligible to issue invoice only after we have fulfilled the relevant project milestones, and we generally grant our customers a credit period of up to 30 days from the date of issuance of our invoice. Under our distribution and resale businesses, we generally offer our customers a credit period of up to 30 days from the date of issuance of our invoice. The credit period we offered during the Track Record Period varied according to the nature of solutions or services provided or products sold, our pricing model, the credit profile of our customers, and the length of our relationship with them.

BUSINESS

To the best of our Directors' knowledge, none of our Directors, their respective close associates of any Shareholder (which to the best of our Directors' knowledge owns 5% or more of the issued Shares as at the Latest Practicable Date) held any interest in any of our five largest customers during the Track Record Period. All of our five largest customers during the Track Record Period were and are Independent Third Parties.

Key terms and conditions of the agreements entered into with our major customers

Enterprise IT solutions business

Professional IT services

In case we need to go through the tendering process to secure a contract, we are required to submit the tender and technical proposals. Upon winning the tender, we will enter into a master agreement and/or statement of work setting out the detailed commercial terms of our services. For contracts which we are not required to go through the tendering process, we submit price quotation to the potential customers. Such quotation typically sets out the description, price and quantity of the hardware and/or the associated system required and the expected completion date. The customers would then counter-sign on the price quotation or sign the formal agreement to acknowledge their acceptance.

The summary of the salient terms of our formal agreements entered into with our major customers under this business during the Track Record Period are as follows:

Key terms	Details
Duration	: From effective date of the agreement until termination Depending on the project scale, the duration of our projects during the Track Record Period generally ranged from one to three years
Project manager	: A project manager representing us as supplier and customer, respectively, will be appointed
Pricing and adjustment mechanism (if any)	: Prices are determined on a project-by-project basis and are generally not subject to further adjustment unless there is a material change in our work scope. The agreement may set out the price breakdown of hardware, software and annual maintenance and support services (during the warranty period) We are generally required by our customers to submit a price proposal setting out details of the different cost components of the project

BUSINESS

- Scope of work and specific requirements** : Specific business, work and technical requirements for the project are set out by customers in their tender documents or requests for proposals. We will then submit the tender and technical proposals for customers' review and approval
- The agreement will then set out the customer business requirements, the agreed milestones, implementation plan and specific requirements such as service requirement, project management, project tasks, training and documentation requirements, technology requirements and technical task, and security requirements
- Milestones schedule** : The milestones set out the agreed project timeline within which we are required to complete the relevant project tasks and produce the required deliverables, failing which we will be subject to the late delivery penalty (expressed as a percentage of the total value of the deliverables or services)
- Payment and credit term** : Payments are generally made by stages according to project milestones, and the payment for each milestone varies for each project, subject to negotiation with our customers. For large-scale projects with customers in the gaming and hospitality sector, up to 60% to 80% of the total awarded contract value may only be payable after the user acceptance testing. During the Track Record Period, the period after project completion and before user acceptance testing generally ranged from seven weeks to 35 weeks. For large-scale projects with a longer project cycle, up to 10% of the total awarded contract value may be retained by customers as retention money until the end of the defects liability period, which may last for one year after project completion
- For projects with customers in the public sector, a deposit (in the range of 10% to 50% of the total awarded contract value) is typically collected by us upon the signing of the agreement
- Payment is by bank transfers and, in most cases, to be settled within 30 days from the end of the month (when the invoice is issued)

BUSINESS

Quality assurance and acceptance : Upon the completion of project implementation, user acceptance testing would be performed to determine whether the relevant systems can perform and function according to the requirements and specifications and customers would complete a user acceptance form for us to acknowledge that they agree that the relevant systems have been implemented. Upon expiry of the initial warranty period, customers may elect to subscribe for and purchase extended maintenance and support services; see “Quality Control” in this section for further details

In some cases, a nursing period may be provided to our customers, the terms of which are determined on a case-by-case basis

Delay in completion : We may be liable for payment of liquidated damages in case if there is any delay on our part (save for delays due to circumstances beyond our control) in project completion as agreed and scheduled; and the amount of liquidated damages are typically subject to a cap of not exceeding 10% of the total contract price

Compliance with laws : We are generally required by our customers to comply with relevant laws and regulations in respect of data protection and information privacy

Termination : Termination by giving prior written notice

Managed services

For the managed services provided by us during the Track Record Period, we were required to submit tender for the provision of such services and enter into a master agreement and/or statement of work with our customers upon winning of the tender.

The summary of the salient terms of our formal agreements entered into with our customers for the provision of services under this business during the Track Record Period are as follows:

Key terms

Details

Duration : From effective date of the agreement until termination

Depending on the project scale, our projects for managed services during the Track Record Period generally ranged from one to five years

Project manager : A project manager representing us as the service provider and customer respectively will be designated and appointed

BUSINESS

- Scope of work and specific requirements or service level objectives** : The contract sets out the detailed scope of work and services to be provided by us and our responsibilities. Depending on the type of managed services required, different service items would be included in our service scope. Deliverables such as incident report are also listed. Based on the managed services to be provided, different service level objectives are laid down in the contract (for example, response and restoration rate for resolving incoming enquiries and incident management and service reliability requirement)
- Any subsequent changes to the scope of work will be subject to negotiations between the parties and parties have to agree on the additional fees required for implementing the relevant changes
- Payment and credit term** : Fees are fixed according to the nature of the subscribed services, and the cost of any hardware, equipment and/or software leased to our customers (if applicable). For details on the types of fees we charge for different managed services, see “Pricing Strategy” in this section
- Payment by bank transfers and, in most cases, to be settled within 45 to 60 days from the end of the month (when the invoice is issued)
- Quality assurance and acceptance** : Upon completion of the services provided, a service completion certificate shall be issued for the customer to acknowledge their acceptance of the services provided. In the case if the completion of services is rejected, customers have to provide the details as to why the services provided do not conform with the scope of services, and any such non-conformance shall be addressed by corresponding action plans
- Termination** : Termination by giving no less than one month’s prior notice
- Buy-back option** : In some cases, customers are given a buy-back option under the contract such that they may elect to buy-back the leased hardware from us and obtain ownership of all leased hardware when the contract is terminated at a pre-determined buy-back cost (which is generally a fixed percentage of the remaining contract amount). Contracts with buy-back options are generally classified as finance lease having considered the useful life of the leased hardware and the residual value

BUSINESS

IT maintenance and consultancy services

For customers who engage us to provide extended or standalone maintenance and support or consultancy services on IT systems or applications that are built and developed by us or other third parties, a written service contract will be entered into with them. The salient terms of our service contracts entered into with our customers for the provision of services under this business during the Track Record Period are as follows:

Key terms	Details
Duration	: A fixed service period which generally ranges from one to three years or a one-off contract for a particular task
Scope of work	: The contract sets out the services scope provided by us, including the support hour and location coverage, the general types of services included, and other specific services upon request, such as spare IT parts swapping and call escalation support to system vendors
Excluded services	: The contract lists out the services that are not typically included as part of our services, such as relocation, reconfiguration, or any device damage due to human or operational error or misuse
Payment and credit term	: The agreement will set out a lump-sum or periodic service fee depending on the service provided. The payment is generally settled on a monthly basis by way of bank transfers (and due when the invoice is issued).
Maintenance support flow	: A maintenance support flow diagram is usually included to illustrate the different tiers of support and support escalation offered by us. Emergency contact details and service hotline information are also provided
Penalty clause	: A penalty clause may be included in some of the contracts for maintenance services, under which we will be subject to payment of a lump-sum penalty if we are not able to deliver the maintenance services within the stated support hours. The penalty lump-sum is generally calculated based on a fixed percentage of the total contract sum
Others	: Specific details covering the models of the customers' IT devices to be covered under the contract, their network rack and a list of inventory are also set out under the contract

Distribution and resale businesses

Under this business, we provide price quotation to customers upon receiving their purchase request. The purchase is confirmed by way of issuing a purchase order, which sets out the description, price and quantity of the hardware and/or the associated system required and the expected delivery date, and no other written agreement is entered into between us and our customer.

BUSINESS

Upon receipt of a customer's purchase order, we then place a back-to-back purchase order to the suppliers. For the terms of the agreement typically entered into between us and our suppliers under the distribution business, see "Our Major Suppliers — Key terms for the agreements with system vendors — Distribution agreement" in this section. Payment from our customers is generally settled within 30 days of the date of the issue of our invoice by way of bank transfer.

During the Track Record Period and up to the Latest Practicable Date, we were in material compliance with the terms of agreements or purchases (as the case may be) with our major customers, and we had not experienced any circumstances leading to early termination of the agreement or any material contractual disputes with or claims by our major customers.

PRICING STRATEGY

Enterprise IT solutions business

We generally adopt a cost-plus pricing approach and determine the price of our professional IT services, which are mainly project-based, by reference to an estimated cost of completing the project plus our targeted profit margin. We also take into account various factors in determining the project price, including (i) the scope and nature of work required to be done or provided; (ii) the complexity and technical requirements of the project; (iii) the costs of hardware and/or software; (iv) staff costs (and in particular, staff costs for our technical team and engineers); and (v) duration and scale of the project. We follow our internal approval procedures before we may provide our customers with a quotation for a specific project. Different levels of pre-approvals are required to be obtained by our account managers based on the total quotation amount under our internal approval procedures.

In case where we are required to submit a tender for a potential contract, we are often required to provide, as part of the tender proposal, a price proposal, which shall include a detailed breakdown of the materials and components required (for example, software licence fee, software maintenance and support fee, hardware cost, hardware maintenance and support fee, and professional service fee, etc.) and the estimated grand total project sum. Our account managers and pre-sales team are responsible for preparing such price proposal based on the work scope, technical requirements of the project, and major cost items such as costs of the hardware and/or associated system required, and staff costs. The project price is generally settled by our customers by stages according to the agreed milestone dates as set out in the relevant agreements. Our project manager is responsible for monitoring the various costs incurred by us at different stages of the project to minimise the risk of cost overruns. Unless our customers request for a material change in work scope of the project, in which case we will further negotiate and adjust the project price based on the revised work scope and requirements, the agreed project price is not generally subject to material subsequent adjustments. During the Track Record Period, we did not experience any material dispute with our customers on the project amount payable to us, including progress payment and final payment.

For managed services, the subscription fee we charge mainly comprises a lump-sum and/or periodic service fee and/or leasing fee. The amount and nature of such fees are generally determined with reference to the nature of services and the procurement cost of any hardware, equipment or software (if any) required to be leased to our customers during the service period. We also adopt a cost-plus approach with respect to the fees we charge under our managed services. For managed services which are charged based on actual usage, we have a billing system under which the actual usage of the relevant managed services by our customers is recorded on a real time basis and billed periodically. For our managed IT infrastructure services, payment is made by

BUSINESS

stages according to a milestone payment schedule and such payments are determined with reference to both the capital cost and operating cost of the project and are fixed at the time of the signing of the formal agreement. For our managed printing services, a lump-sum fee is payable upon the set-up of the printing network and a fixed quarterly fee, comprising the hardware leasing fee and the fee for our managed services, is payable. For our managed security services, a fixed monthly fee is payable.

For IT maintenance and consultancy services, we adopt cost-plus approach and our service fee is generally determined with reference to the nature, level and scope of services, service duration and staff costs.

Distribution and resale businesses

Under our distribution business, after our customers have informed us of their orders or made purchase requests, our sales team will provide our price based on the quotation we obtained from our suppliers with our targeted profit margin and seek internal pre-approval, and we usually have to go through this price-setting procedure for every purchase order we received. Pursuant to the distribution agreement, the system vendor may provide the quotation in the form of suggested price of its products, and we may set the selling price above or below the suggested price by reference to our target profit margin and any other restriction or covenant relating to pricing we may need to observe. Such restrictions or covenants include specified product discounts to standard selling price which we may offer to our customers under our distribution business and prohibition against price gouging. We may be able to fix a price with a higher profit margin if higher level of value-added services is involved, such as our engineering and technical support team being required to provide advice to customers on product selection, delivering product demonstrations or presentations, or engaging in other pre-sales activities. In a majority of the cases, our targeted profit margin and the identity of customers are also communicated to the system vendors as we, as their authorised distributors, are required to observe certain restrictions or covenants such as suggested selling price and specified product discounts as mentioned above, sales targets or quotas and/or other standards set by them, and the level of our observance with these restrictions is one of our key performance indicators in their assessment. In the case if our proposed selling price set by our sales personnel is below our targeted profit margin threshold, we may not proceed with the said order without prior management approval. In most of the cases, as we will be delivering the products to our customers or to the end-users, our prices generally are inclusive of the delivery or transportation fee. See “Logistics and Delivery Arrangement” in this section for further details.

Under our resale business, we charge our price on a cost-plus basis, which is based on the quotation we obtained from our suppliers and our targeted profit margin. In the case if our customers also require us to provide installation, set-up or deployment services for their ordered products, we would discuss and negotiate the price we may charge for such services on a case-by-case basis. There is no restriction or covenant on the price of our products sold under our resale business.

BUSINESS

Credit assessment

Our finance and administration department is responsible for monitoring the credit risks of our customers. It follows up and reports on the monthly overdue status of our customers to the management team. Regular meetings and reviews are held with the management team to review the payment status and progress and discuss customer's credit terms and limits. When payments from customers are long overdue, our finance and administration department will follow up with the customers by e-mails and phone. In cases where the overdue situation persists, we may consider taking legal actions to recover the amount due. Any write-off of trade receivables is subject to the approval of our financial controller and chief executive officer. Our sales department also performs reviews of the credit status and financial performance of new customers by reviewing their financial statements and reports.

During the Track Record Period, our average trade receivables turnover days were 77 days, 75 days and 97 days, respectively. As at 31 December 2019, 2020 and 2021, provisions for individually impaired trade receivables were HK\$2.3 million, HK\$2.3 million and HK\$3.5 million, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in collecting receivables from our major customers when they fall due.

AFTER-SALES SERVICES AND WARRANTY

Enterprise IT solutions business

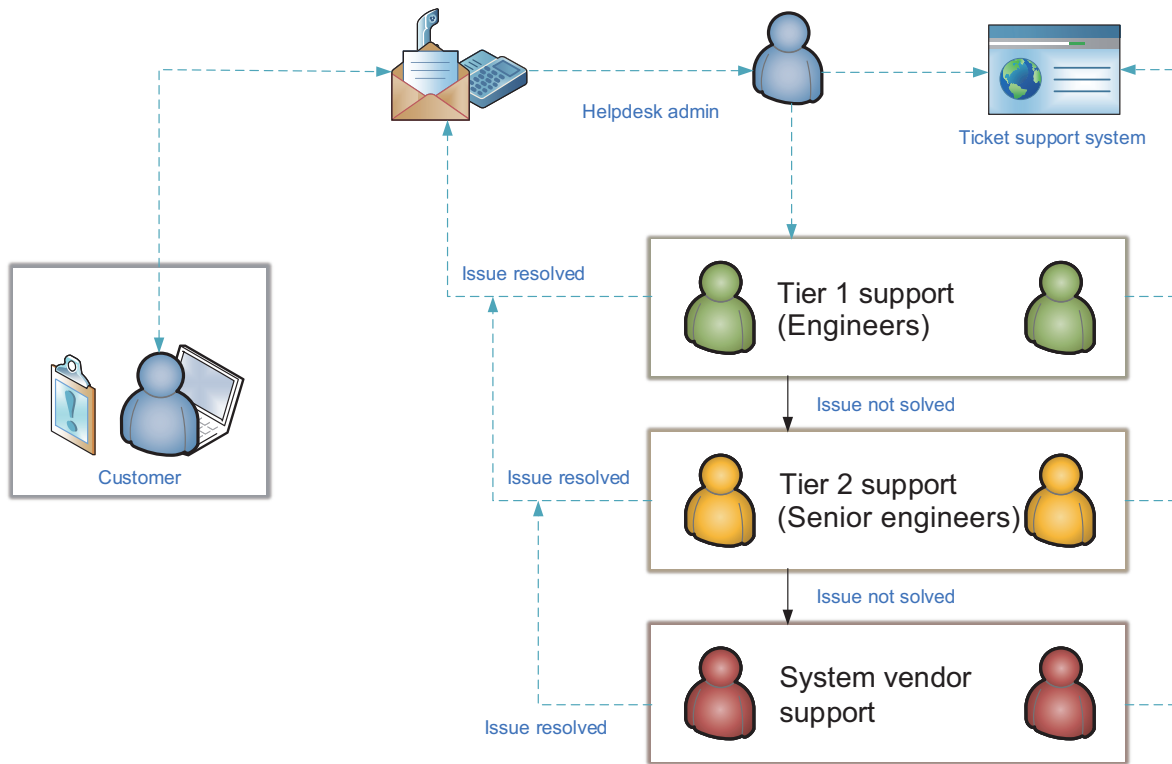
We generally include in the agreements with our customers the terms and conditions of post-sales maintenance and support, the service period of which ranges from 12 to 36 months and varies according to the nature of the services provided under this business. Such maintenance and support services are primarily provided by our maintenance and ongoing support team, which comprised of 21 personnel as at 31 December 2021.

We are required to maintain the installed systems in good order and ensure they function efficiently and effectively in accordance with the specifications and requirements. We provide our customers with 24/7 support, and they may contact us through our technical support hotline or by email if they encounter any issues when operating the installed systems. Depending on the customers' requirements and the usage of the installed systems, different levels or tiers of support services with different response time, committed resolution time and status update frequency will be provided. The reported incidents will be categorised and prioritised under our internal incident triage system based on their level of severity and relevant supportive engineer(s) will be assigned to tackle the incident accordingly. If an issue is not resolved within a prescribed time, it will be escalated to the next level of the supporting system where additional technical support will be sought. Our suppliers also provide us with technical backup and we may escalate and seek their advice, onsite support and assistance when needed. We continuously monitor and provide case updates to our customers throughout the entire incident resolution and recovery process. Apart from offering solutions for resolving the IT issues, we also investigate and provide system diagnosis such that similar incidents may be prevented from recurring. We also provide IT spare parts support as part of our maintenance and support services.

After the expiry of the above warranty period, our customers may subscribe and purchase extended maintenance services subject to payment of, in majority of the cases, an annual fee.

BUSINESS

The following diagram illustrates our typical maintenance escalation and support flow:



Upon our helpdesk administrators receiving a request for support from our customers, all customer support interactions are collected and tracked through the ticket support system. Our helpdesk administrators, after undertaking the issue on hand, would relay the support request to our engineers, being our first tier of support, who will provide support for by diagnosing problems and solving usage difficulties. Unsolved issues would be escalated to our senior engineers, being our second tier of support, who would provide in-depth technical support such as troubleshooting. If the issues remain unsolved, we would further escalate and contact the relevant system vendor for specific technical support and bugfix.

Our maintenance and ongoing support team performs regular review of the quality of the services provided by us in our projects. Regular service review meetings are held and material quality incidents are discussed and reviewed during such meetings. Service calendars, service logs and service reports are also produced and discussed at such meetings to ensure our support services and rectification works are delivered within the required response time and progress updates are provided to customers in a timely and frequent manner. Apart from internal review meetings, we also have regular review meetings with our customers during which we will go through the cases handled by us, review their status, follow up on any outstanding issues and hear the feedbacks from our customers. Our ability to quickly respond to any system failure or emergencies and be accessible by our customers at all times is of utmost importance to minimise the impact of any system downtime on the operations of our customers.

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Distribution and resale businesses

Under our distribution business, as we are the distributor of hardware and the associated systems, we are generally responsible for following up with the system vendors for any faulty or defective products. Our customers generally purchase products under the terms and conditions of the system vendors which include standard warranty provided by the system vendors. In case if any product is faulty or defective upon arrival, our customers will notify us and we will assist them in liaising with the relevant system vendors for product return and/or replacement by going through the standard return merchandise authorisation procedures provided by the relevant system vendors. In any case where we are ultimately responsible for the faulty or defective products to the customers during the warranty period, we consider ourselves being the primary obligor and therefore the principal to the transaction. No refund will be provided by the system vendors in general which we believe is in line with the industry norm and practice. Apart from following up on product quality issues, we may also be required by the system vendors to provide onsite support to our customers or to the end-users. Our customers may elect to purchase extended period of warranty and depending on the warranty purchased by our customers, we will purchase back-to-back warranty from the system vendors, ranging from one year to five years, to cover other quality issues that may arise subsequently during the use of the products. The cost we charge our customers on the warranty is subject to the same range of mark-up on the products.

Under our resale business, our customers generally purchase the hardware or software under the terms and conditions of the system vendors, which include standard warranty provided by the system vendors. We will assist our customers and follow up with the relevant authorised distributors or system vendors for arrangement of product return and/or replacement if any product is faulty or defective.

Given the back-to-back warranty from, and the product return or replacement arranged by, the system vendors, we do not incur product liabilities under our distribution and resale businesses.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material product liability claim and we did not receive any material claims or complaints in relation to our products or services, which would have a material adverse effect on our business and results of operations. We did not incur any material warranty expenses or make any material provision for warranty expenses during the Track Record Period.

OUR MAJOR SUPPLIERS

Characteristics of our suppliers

Our suppliers comprise system vendors, authorised distributors and subcontractors. Under our enterprise IT solutions business, our suppliers are mainly the authorised distributors of the system vendors and we purchase the products from the authorised distributors of the system vendors for project application. Under our distribution business, our suppliers are mainly system vendors. Under our resale business, our suppliers are mainly the authorised distributors of the system vendors and we purchase the hardware and software from the authorised distributors of the system vendors for resale. Our major purchases during the Track Record Period included hardware, IT components, software and software licences. During the Track Record Period, we made procurement from over 180, 160 and 150 suppliers, respectively. We mainly source our supplies from suppliers located in Hong Kong.

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Selection of suppliers

Due to our business nature, we generally make procurements in accordance with the requirements of the project or the order of our customers, and therefore, we generally do not need to maintain a significant quantity of inventory or enter into any long-term purchase agreements with our suppliers. When there is a purchase request, our account managers will identify suitable suppliers and obtain quotations from them by providing them with the details of the intended purchase, including specification and description of the products, the required quantity, price and delivery date, either through direct inquiry or the designated ordering platform. As the characteristics and requirements of the project to be undertaken, the nature of services to be rendered or products to be sold by us would to a large extent limit the choice of specific hardware and system to be used, and hence, the relevant supplier candidate, we may not have a lot of flexibility in choosing the supplier. Where we are able to select our supplier, our selection criterion includes the technical requirements of our customers, the quality of the supplier's products/services, their pricing delivery terms, and sales and after-sales support provided by them and their R&D capability to fulfil our customers' requirements. For projects of enterprise IT solutions, we may also make procurement recommendation, including suggestions as to selection of suppliers, to our customers. See "Our Principal Business — Operational flow of our professional IT services and managed services" in this section for further details.

System vendors

System vendors refer to the manufacturers or owners of the hardware, the associated system or software. They sell and market the products mainly through the distributors engaged by them. According to Frost & Sullivan, it is industry norm for IT solution providers not to make direct purchase with system vendors, but to enter into partnership agreements with them and place orders with the respective authorised distributors. While most of our suppliers of our enterprise IT solutions business were distributors during the Track Record Period, we entered into partnership agreements with some of the respective system vendors. As at 31 December 2021, we had entered into partnership agreement with over 10 system vendors. Such partnership agreements represent and formalise the business relationship and the collaboration between us and the system vendors and based on our experience, our customers may assess us and our qualification based on, among others, the number and level of partnerships we have with various system vendors. We have solid partnership with globally renowned system vendors and through years of business relationship developed with them, we have been recognised by a number of them, such as H3C, HPE, VMWare and Huawei, as their recognised partners. In order to be recognised as their partner, our engineering and technical team has to receive technical trainings, possess in-depth knowledge about their products and related applications, as well as obtain relevant industry certifications covering pre-sales, sales and post-sales aspects. Some system vendors would also require us to achieve annual purchase quota before we can be qualified as their premium service partner. By being the premium service partner, we are qualified to cooperate with or represent the system vendors to provide relevant product trainings, presentations and demonstrations to our customers, and to take part or assist in their proof-of-concept when new products are launched. Also, under our enterprise IT solutions business, despite normally we do not make direct purchase with system vendor, we may be able to enjoy purchase discounts based on our partnership level with the relevant system vendor when we place orders with its authorised distributors. In some cases, having considered the partnership level, the system vendor may also direct its authorised distributor to provide product and/or pre-sale support to us, where required. Accordingly, even though the partnership agreements with system vendors are not themselves the agreements for sales and purchases, the entering into of such agreements and the partnership levels we have attained signify the technical level and solid understanding of our engineering and technical team

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in the products and related applications of the system vendors, as well as the business relationship established with them. We believe that such arrangement would also allow the relevant system vendor to retain some degree of control over the business dealing between the authorised distributors it appointed and some of their important downstream customers as well as to foster the extent of cooperation with such customers whom the system vendor would like to build a long-term business relationship. For further details of the partnership agreement, see “Our Major Suppliers — Key terms for the agreements with system vendors — Partnership agreement (in case they are not our suppliers)” in this section.

On the other hand, under our distribution business, we usually make direct purchase from system vendors which engage us as their authorised distributor in a designated geographical region(s). We were the authorised distributor of nine, 11 and 11 system vendors during the Track Record Period and had entered into distribution agreement with them to acknowledge our status as an authorised distributor and to govern the region and type of products that we were authorised to distribute and sell. For further details of the distribution agreement, see “Our Major Suppliers — Key terms for the agreements with system vendors — Distribution agreement” in this section.

The table below sets out a summary of our distributorship right granted by our five largest suppliers during the Track Record Period which were system vendors, which in aggregate accounted for 29.8%, 35.5% and 31.4% of our total purchases for the Track Record Period, respectively:

Name	Major type of hardware/software supplied to us	Business relationship and exclusivity of the distributorship	Ranking	Total purchase		
				FY2019	FY2020	FY2021
				(HK\$'000)	(HK\$'000)	(HK\$'000)
Supplier A	Data networking hardware	Since 2006 (<i>Note</i>) (non-exclusive)	Largest supplier in FY2019 and FY2020 and the third largest supplier in FY2021	98,556	82,199	43,659
Supplier I	Cybersecurity hardware and software	Since 2018 (non-exclusive)	Second largest supplier in FY2021	16,258	27,714	55,639
Supplier H	Cybersecurity software	Since 2013 (non-exclusive)	Fifth largest supplier in FY2020	28,725	28,061	31,612

Note: This includes the period before the Acquisition of Synergy CCL.

The table below sets out the movement of distributorships we had obtained during the Track Record Period:

	FY2019	FY2020	FY2021
Number of distributorships obtained by us at the beginning of the relevant year	8	9	11
Number of new distributorships obtained by us	3	2	—
Less: Number of distributorships ended, lapsed or otherwise terminated	2	—	—
Number of distributorships obtained by us at the end of the relevant year	9	11	11

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Under our resale business, the terms of purchase are confirmed by way of issuing a purchase order and we do not enter into any other written agreement with our suppliers in general.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material dispute with our suppliers, and there were no significant quality issues, delays or shortages of supplies, which could materially and adversely affect our business operation.

Pricing and credit terms

We generally obtain quotations from our suppliers before we place order for any purchase. Prices are generally determined on an order-by-order basis. Given our cost-plus pricing approach, if there is an increase in purchase costs before we provide our quotation or bill of materials to customers, such increase would be taken into account in our quotation or bill of materials and we are generally able to pass the increase in purchase costs to our customers in such case. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuation in the costs of supplies that had material impact on our business or financial condition. Our major suppliers during the Track Record Period grant us credit terms ranging from 30 to 90 days and the invoices are generally settled by bank transfer.

Five largest suppliers

Our five largest suppliers during the Track Record Period have had business relationship with us from three to 15 years (including the period before the Acquisition of Synergy CCL). Purchase from (i) our five largest suppliers in each year during the Track Record Period in aggregate accounted for 57.2%, 52.1% and 54.4% of our total purchase during the relevant year, respectively; and (ii) our largest supplier in each year during the Track Record Period accounted for 20.5%, 21.1% and 14.4% of our total purchase during the relevant year, respectively.

The following tables set out the information about our five largest suppliers for the indicated periods:

FY2019

Supplier	Background	Major products/services provided by supplier	Business relationship since	Credit term	Cost incurred	Percentage of total purchases
Supplier A . . .	See Note 1	Data networking hardware	2006 (Note 10)	30 days	(HK\$'000) 98,556	20.5%
Supplier B . . .	See Note 2	Professional IT services hardware and software and IT device	2010	45 days	60,591	12.6%
Supplier F . . .	See Note 6	IT device	2010	30 days	39,454	8.2%
Supplier G . . .	See Note 7	Professional IT services hardware and software and IT device	2011	30 days	38,684	8.0%
Supplier C . . .	See Note 3	Storage and back-up solution	2010	90 days	38,058	7.9%
					275,343	57.2%

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FY2020

Supplier	Background	Major products/services provided by supplier	Business relationship since	Credit term	Cost incurred	Percentage of total purchases
					<i>(HK\$'000)</i>	
Supplier A . . .	See Note 1	Data networking hardware	2006 <i>(Note 10)</i>	30 days	82,199	21.1%
Supplier B . . .	See Note 2	Professional IT services hardware and software and IT device	2010	45 days	34,036	8.8%
Supplier G . . .	See Note 6	Professional IT services hardware and software and IT device	2011	30 days/ 60 days	29,666	7.6%
Supplier E . . .	See Note 4	Data networking and cybersecurity hardware	2011	90 days	28,838	7.4%
Supplier H . . .	See Note 7	Cybersecurity software	2017	30 days	28,061	7.2%
					202,800	52.1%

FY2021

Supplier	Background	Major products/services provided by supplier	Business relationship since	Credit term	Cost incurred	Percentage of total purchases
					<i>(HK\$'000)</i>	
Supplier E . . .	See Note 4	Data networking and cybersecurity hardware	2011	90 days	60,139	14.4%
Supplier I . . .	See Note 8	Cybersecurity hardware and software	2018	30 days	55,639	13.4%
Supplier A . . .	See Note 1	Data networking hardware	2006 <i>(Note 10)</i>	30 days	43,659	10.5%
Supplier B . . .	See Note 2	Professional IT services hardware and software and IT device	2010	45 days	34,494	8.3%
Supplier L . . .	See Note 9	Data networking hardware	2015	45/90 days	32,321	7.8%
					226,252	54.4%

Notes:

- Supplier A is a wholly-owned subsidiary of a company listed on the New York Stock Exchange. It engages in the business of wholesale distribution of IT hardware and software products.
- Supplier B is a wholly-owned subsidiary of a US-incorporated company. Its holding company is one of the world's largest distributors of technology products, services, and solutions in more than 100 countries with over 15,000 employees worldwide.
- Supplier C is a wholly-owned subsidiary of a company listed on the Taiwan Stock Exchange. It engages in the distribution of over 300 leading IT brands worldwide. Its holding company has operations in 38 countries/regions throughout 200 cities, with business territory covering Taiwan, Mainland China, Hong Kong, Indonesia, Thailand, Vietnam, India, Australia, the U.S., Canada, the Middle East, and Africa, with approximately 5,000 employees worldwide according to its annual report for 2021.

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4. Supplier E is a group of companies whose parent company is a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited. The group engages in the distribution and trading of electronic components and consumer electronic products, and the provision of IT solutions and services.
5. Supplier F is a wholly-owned subsidiary of a company listed on the Taiwan Stock Exchange. It engages in the distribution of IT hardware, software, and professional consultation services. Its parent company is a Taiwan-based IT services provider in the Asia-Pacific region with approximately 4,200 employees in Taiwan, the PRC, Hong Kong and Southeast Asia according to its annual report for 2021.
6. Supplier G is a company incorporated in Hong Kong. It engages in the distribution of IT solutions with over 300 active resellers.
7. Supplier H is a company incorporated in Hong Kong. It is a global leader in IT security software.
8. Supplier I is a wholly-owned subsidiary of a company listed on the NASDAQ. It engages in the provision of IT security solutions. With 75 offices, 59 international subsidiaries and over 5,400 employees worldwide, it is one of the largest cybersecurity vendors globally.
9. Supplier L is a wholly-owned subsidiary of a company listed on the Main Board of the Stock Exchange. It is one of the largest distributors of IT solutions across Asian countries.
10. This includes the period before the Acquisition of Synergy CCL.

To the best of our Directors' knowledge, none of our Directors, their respective close associates of any Shareholder (which to the best of our Directors' knowledge owns 5% or more of the issued Shares as at the Latest Practicable Date) held any interest in any of our five largest suppliers during the Track Record Period. All of our five largest suppliers during the Track Record Period were and are Independent Third Parties.

Key terms for the agreements with system vendors

Partnership agreement (in case they are not our suppliers)

Under our enterprise IT solutions business, while most of our suppliers were distributors during the Track Record Period, we enter into partnership agreements with certain system vendors (which appointed the relevant distributor(s)) to govern the business arrangements and framework of cooperation with us as their business partner. Under the partnership agreements, we are generally authorised by the system vendors to purchase and/or (in some cases) resell the products and services procured from their authorised distributors. The partnership agreements do not constitute a sale, purchase or distribution agreement between us and the system vendor, but they represent and formalise the business relationship and the collaboration between us and the system vendors. We procure the required hardware and the associated system for our enterprise IT solutions business by placing purchase orders with the authorised distributors. For further details regarding the reasons and commercial rationale for us to enter into partnership agreements under our enterprise IT solutions business, see "Our Major Suppliers — Characteristics of our suppliers — System vendors" in this section.

In case we enter into a partnership agreement with the system vendor, the salient terms of such agreement entered into by us with them during the Track Record Period are as follows:

Key terms

Details

Duration	:	From effective date of the agreement until termination or non-renewal; generally for an initial term of one year and subject to renewal
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- Pricing and adjustment mechanism (if any)** : Prices are set out in the purchase order we placed to their authorised distributors and not in the partnership agreements. They are determined on an order-by-order basis and are generally not subject to further adjustment
- For further details of the pricing mechanism, see “Our Major Suppliers — Pricing and credit terms” under this section
- Minimum purchase commitment** : No minimum purchase commitment stipulated in such agreement
- Purchase quota** : Certain system vendors may, from time to time, communicate to us non-binding annual purchase quota of products expected to be placed by us with their authorised distributors, upon the meeting of which we may be awarded with financial incentives
- If we are able to meet such purchase quota, rebates in the form of cash payment or discount to the subsequent purchase, as may be determined by the system vendors at their discretion, would be received by us from our suppliers
- During the Track Record Period, we received rebates in the amounts of HK\$3.6 million, HK\$5.2 million and HK\$5.2 million, respectively, from our suppliers and such amounts were net off with cost of sales for purchases. Apart from Supplier A, Supplier E and Supplier F, none of the relevant system vendors whom we received rebates from their authorised distributors were our major suppliers during the Track Record Period
- If we are not able to meet such purchase quota, we may not be able to maintain our partnership level with the system vendors
- Value-added services** : Certain system vendors would acknowledge in the partnership agreement the value-added component we would provide to our customers in addition to their products and which form part of the solution we offer to our customers. Examples of such value-added services include pre- and post-sales network design, configuration, trouble-shooting and the sale of complementary products and services
- Quality assurance and return policy** : If the products are defective upon arrival, the authorised distributors of the system vendor in general would unconditionally replace with new products within seven days of the delivery. In other cases, product repairs or returns depend on the warranty purchased by our customer, the period of which generally range from one year to three years. We provide back-to-back warranty to our customers accordingly

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- Intellectual property rights** : The system vendors generally give us the licence to use the intellectual property rights in relation to their products
- Other requirements** : Certain system vendors may, in the partnership agreement, require us to achieve particular requirements, including certifications and training requirements, some of which may be ongoing, before allowing their authorised distributors to distribute and sell their products to us

Distribution agreement

As disclosed in “Our Major Suppliers — Characteristics of our suppliers” in this section, under our distribution business, we enter into distribution agreements with system vendors which mainly are our suppliers to acknowledge our status as its distributor. The distribution agreements govern the respective rights and obligations of the system vendor as supplier and us as its authorised distributor. Given that the subject matter of such agreements and our role as an authorised distributor under our distribution business are different from that of the partnership agreements with system vendors under our enterprise IT solutions business, the material terms of these agreements are different from each other. See “Partnership agreement (in case they are not our suppliers)” above for further details. The salient terms of such agreements entered into by us with our major suppliers of our distribution business during the Track Record Period are as follows:

Key terms	Details
Duration	: From effective date of the agreement until termination; majority of them have no fixed contract term and they remain valid until terminated
Distribution region/territory	: The distribution agreement will set out the specific region(s) to which we as the distributor may be authorised to distribute and sell the products
Distribution products	: The distribution agreement will set out the specific products or types of products of the system vendor that we as the distributor may be authorised to distribute and sell
Price	: The system vendor will provide a list of suggested price of its products to us. Different levels of discounts may be provided by us. Certain system vendors may, apart from the suggested price, also include specified product discounts which we may offer to our customers, and such discounts are generally determined based on the types of products to be distributed and sold and the identity and/or partnership level of the customers. If we are distributing products to a customer who is a high-level business partner with the respective system vendor, a larger price discount may be provided by us as agreed with the relevant system vendor and normally, back-to-back price discount will be sought by us from the relevant system vendor. This is to acknowledge the partnership ranking of the customer with the system vendor

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Minimum purchase commitment	:	<p>No minimum purchase commitment and purchases are made on an order-by-order basis</p> <p>We may be required by system vendors to fulfil or meet non-binding sales targets or quotas, and our fulfilment as to such target or quota is often one of the assessment criteria and performance indicators of our status as an authorised distributor. The annual sales targets from the relevant system vendors on the distribution business of our Group ranged from HK\$3.9 million to HK\$62.4 million during the Track Record Period. The revenue of our sales that were subject to sales target amounted to HK\$169.8 million, HK\$156.1 million and HK\$148.7 million for FY2019, FY2020 and FY2021, respectively. During the Track Record Period, we were able to meet the sales targets set by the system vendors. As the sales target is non-binding and is only one of the assessment criteria of our status as an authorised distributor, our Directors are of the view that the imposition of any sales target or quota had been no material adverse impact on our Group's business and financial performance during the Track Record Period</p>
Delivery and customs clearance	:	<p>The ordered products are generally delivered by the system vendors to a third-party warehouse. See "Logistics and Delivery Arrangement" in this section for further details</p>
Quality assurance and return policy	:	<p>Detailed return merchandise authorisation procedures of the system vendor are set out. In case of any defective or faulty products, we will follow such standard procedures to assist our customers to follow up with the system vendor on product return and/or replacement, as appropriate</p>
Payment and credit term	:	<p>Payment by bank transfers and, in most cases, to be settled generally within 30 days from the date of the invoice</p>
Form of purchase order	:	<p>The distribution agreement may set out a standard form of purchase order to be used by us for placing orders</p>
Responsibilities of the distributor	:	<p>We as the distributor are required to (i) promote and solicit orders for the products; (ii) provide technical advice, presentations, training and demonstrations on the features and uses of the products to the customers; (iii) offer product briefing or training on behalf of the system vendors; and (iv) comply with good business practices and applicable laws and regulations. We are also required to attend product or industry trainings, and obtain relevant up-to-date certifications</p>

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Responsibilities of the system vendor : Apart from supplying us with the products or types of products to distribute and sell, the system vendor will provide marketing promotional or sales materials for use by us, and will ensure training is available to us in relation to the installation, use, operation and support of the products

Termination : Termination by giving prior written notice

During the Track Record Period and up to the Latest Practicable Date, we were in material compliance with the terms of the agreements with our major suppliers, and we had not experienced any circumstances leading to early termination of the agreement or any contractual disputes with or claims by our major suppliers.

SUBCONTRACTING ARRANGEMENT

We engage subcontractors in some of our projects mainly when they involve services beyond our service scope, such as cabling, hardware installing and Wi-Fi mounting services, and other manual works which are labour intensive in nature and do not require specialised skills or expertise. We believe that such subcontracting arrangement can allow us to better utilise our technical workforce such that we may focus on the technical and more complex workflows in a project and is for better time management and efficiency. We engage subcontractors on a project-by-project basis and we do not enter into long-term agreement with our subcontractors.

During the Track Record Period, we engaged 15, 16 and 22 subcontractors for each year for conducting the above works, respectively. The total amount paid to these subcontractors accounted for 1.3%, 3.1% and 2.2% of our cost of sales for the same period, respectively. We engage our subcontractors based on their qualifications, relevant experience, technical capability, quality of work, price, time of service delivery and their years of business relationship with us. We review the performance of our subcontractors to assess their service quality. Our subcontractors are mainly situated in Macau and Hong Kong and we maintained around one year to over 10 years of business relationships with our subcontractors.

The fee paid to our subcontractors is mainly determined by the scope of work, delivery time and manpower required. Credit terms granted by our subcontractors range from 30 to 45 days and payment is generally made by bank transfer. The table below sets out the salient terms of our engagement with our subcontractors during the Track Record Period:

Key terms

Details

Project information : Descriptions of the subcontracting work to be performed, including the service period, working hours and the expected completion time

If any material is required to be supplied by the subcontractor for performing the required services, the same is also listed out in the contract with the price quoted

Payment terms : Fee is generally payable after completion of the required work by the subcontractor, or if the required work is to be completed over a period of time, to be paid on a monthly basis; and payment is made generally within 30 days from the date of invoice by bank transfer

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Obligations of subcontractors : We are entitled to withhold payment of part of the subcontracting fee as damages if the subcontractors do not complete the required work to our satisfaction and fail to complete the required work within the specified period as a result of their fault, or if there is defect in the subcontracting work

Subcontractors shall compensate our loss if we need to engage another third party and incur extra cost to complete the required work as a result of the subcontractors delay

We require our subcontractors to comply with relevant employment laws in Macau, including but not limited to laws on occupational safety and insurance, during their course of delivering subcontracting services

During the Track Record Period and up to the Latest Practicable Date, (i) there was no material breach of the terms of the subcontracting arrangements by our subcontractors; (ii) we did not experience any material dispute with our subcontractors or situation where the subcontractors had failed to fulfil our requirements which caused material impacts on our operations; and (iii) we did not receive any material claims or complaints by our customers in respect of the quality of work undertaken by our subcontractors.

To the best of our Directors' knowledge, none of our Directors, their respective close associates or any Shareholder (which to the best of our Directors' knowledge owns 5% or more of the issued Shares as at the Latest Practicable Date) held any interest in any of our five largest subcontractors during the Track Record Period.

OVERLAPPING CUSTOMER AND SUPPLIER

During the Track Record Period, Customer A, Customer C and Customer T were also our suppliers; and Supplier G, Supplier H and Supplier L were also our customers (the “**Overlapping Customers and Suppliers**”). The following tables set out the total revenue and total purchase attributable to the respective Overlapping Customers and Suppliers and the gross profit derived from our sales to them for the years:

	FY2019		FY2020		FY2021	
	Revenue (HK\$'000)	% to total revenue	Revenue (HK\$'000)	% to total revenue	Revenue (HK\$'000)	% to total revenue
Customer A	52,542	10.5	28,488	6.0	39,346	7.4
Customer C	74,413	14.8	39,029	8.2	10,037	1.9
Customer T	314	0.1	5,300	1.1	15,201	2.8
Supplier G	1,045	0.2	100	0.0	4	0.0
Supplier H	Nil	0.0	14	0.0	Nil	0.0
Supplier L	Nil	0.0	Nil	0.0	2	0.0
Total	128,314	25.6	72,931	15.3	64,590	12.1

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	FY2019		FY2020		FY2021	
	<i>Total</i>		<i>Total</i>		<i>Total</i>	
	<i>purchase</i> (HK\$'000)	<i>% to total</i> <i>purchase</i>	<i>purchase</i> (HK\$'000)	<i>% to total</i> <i>purchase</i>	<i>purchase</i> (HK\$'000)	<i>% to total</i> <i>purchase</i>
Customer A	Nil	0.0	550	0.1	Nil	0.0
Customer C	2	0.0	1,799	0.5	131	0.0
Customer T	Nil	0.0	Nil	0.0	215	0.1
Supplier G	38,684	8.0	29,666	7.6	29,456	7.1
Supplier H	28,725	6.0	28,061	7.2	31,612	7.6
Supplier L	14,502	3.0	15,809	4.1	32,321	7.8
Total	81,913	17.0	75,885	19.5	93,735	22.6

	FY2019		FY2020		FY2021	
	<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>	
	<i>(HK\$'000)</i>	<i>margin %</i>	<i>(HK\$'000)</i>	<i>margin %</i>	<i>(HK\$'000)</i>	<i>margin %</i>
Customer A	9,936	18.9	4,287	15.0	8,602	21.9
Customer C	9,063	12.2	9,519	24.4	1,291	12.9
Customer T	137	43.8	1,400	26.4	3,997	26.3
Supplier G	81	7.8	81	81.2	1	16.3
Supplier H	1	N/A	1	4.2	Nil	0.0
Supplier L	Nil	N/A	Nil	N/A	0	7.2
Total	19,218		15,288		13,891	

Customer A is a group of companies whose parent company is a company listed on the Main Board of the Stock Exchange and the group engages in the provision of telecommunication, media, IT solutions, property development and investment, and other businesses. It was one of our five largest customers during the Track Record Period. During the Track Record Period, we provided total professional IT services solutions to Customer A. During FY2020, we subcontracted part of the supporting services to be provided by us to another customer to Customer A under the instruction of our customer. This was an one-off event during the Track Record Period.

Customer C a group of companies whose parent company is a company listed on the Main Board of the Stock Exchange and is a leading integrated telecommunication and technology solutions provider with operations spanning across Hong Kong, Singapore, Malaysia, the PRC and Macau. It was one of our five largest customers during FY2019 and FY2020. During the Track Record Period, we provided data networking and virtualisation services solutions to Customer C. We also distributed mobility and security related hardware and associated systems and sold network-related hardware and software (which were not the same as the products we purchased from Customer C) under our distribution and resale businesses to Customer C. At the same time, as Customer C is the regional maintenance service station of a system vendor, we purchased hardware maintenance services from Customer C for repairing the hardware components (such as printers) of that system vendor for customers of our resale business. During FY2021, we also purchased certain cybersecurity training and product installation services from Customer C in relation to the products of the said system vendor for customers of our resale business.

Customer T is a digital technology and managed service providers in Hong Kong. It was one of our five largest customers for FY2021. During the Track Record Period, we provided cybersecurity solution, data networking hardware and maintenance service to Customer T. At the same time, we purchased consultancy service from Customer T for our customer of enterprise IT solutions business as Customer T, being a managed service provider, was responsible for the

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relevant system infrastructure and maintenance for our customer. We also purchased cybersecurity solution from Customer T for our customer of enterprise IT solutions business because Customer T, being a partner of the vendor of such product was able to offer a competitive price.

Supplier G is a company incorporated in Hong Kong and engages in the distribution of in IT solutions. It was one of our five largest suppliers for FY2019 and FY2020. During the Track Record Period, we purchased IT services hardware, software and IT devices, such as backup appliance, from Supplier G. At the same time, as Supplier G is a distributor, it purchased certain cybersecurity products (as we were the authorised distributor of such products) and technical supporting services from us for its end-users during the Track Record Period.

Supplier H is a company incorporated in Hong Kong and is the global leader in IT security software. It was one of our five largest suppliers for FY2020. During the Track Record Period, we purchased cybersecurity software from Supplier H and at the same time, Supplier H purchased certain networking hardware, such as switches, from us for its internal use.

Supplier L is a wholly-owned subsidiary of a company listed on the Main Board of the Stock Exchange and engages in the distribution of IT solutions. It was one of our five largest suppliers for FY2021. During the Track Record Period, we purchased data networking hardware from Supplier L for our enterprise IT solution business. At the same time, Supplier L purchased certain cybersecurity solutions from us (as we were the authorised distributor of such products) for its internal use.

Our Directors confirmed that the negotiation of the salient terms of our sales and purchase from the Overlapping Customers and suppliers were conducted separately, and they were not inter-conditional, inter-related or otherwise considered as one transaction. To the best knowledge, information and belief of our Directors, save as disclosed above, none of our five largest customers was also our supplier, or *vice versa*, during the Track Record Period.

LOGISTICS AND DELIVERY ARRANGEMENT

For our professional IT services, we order hardware, the associated system and components required for a particular project. Such ordered products and components are generally delivered to the site of our customers by us either directly or via third-party logistic service providers, and the relevant delivery and transportation costs have already been reflected in our quotation or bill of materials of the project. We adopt the same logistics and delivery arrangement for managed services in case any hardware components or associated system are required to be procured by us as part of the managed services. We have a storage area at our premises in Macau where we store certain spare parts for providing hardware maintenance services to our customers.

For our distribution business, we have leased storage spaces in a third-party warehouse located in Hong Kong for temporary storage of the ordered products. Our suppliers would provide us with a product delivery schedule upon the placing of orders and notify us when the requested products have been delivered to the third-party warehouse. Stock movement data is provided and updated by the third-party warehouse through our EPR system and we review and monitor the inventory level through the system. We then arrange delivery of the ordered items either directly to our customers or to location designated by our customers and we issue invoice to them at the same time. Our quoted price generally already takes into account the delivery or transportation fee.

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For our resale business, depending on the arrangement with the relevant supplier, the ordered products may be delivered by our supplier directly to our customer, or firstly by our supplier to us, then we arrange third-party logistic service providers for onward delivery to our customer (and in such case, the transportation fee is generally reflected in our selling price).

INVENTORY

Given the nature of our business, we generally do not keep a significant quantity of inventory and generally make purchase orders to our suppliers upon receiving back-to-back orders from our customers. We may keep at our own storage area and the third-party warehouse certain level of spare IT parts for product replacement or swapping purpose. Our ERP system provides us with a real-time access to our inventory level kept at our storage area and the third-party warehouse, allowing us to timely monitor the delivery status of our ordered products and notify our customers for order collection. As at 31 December 2019, 2020 and 2021, our inventory amounted to HK\$59.1 million, HK\$39.1 million and HK\$30.0 million, respectively.

We perform reviews on our inventory levels on a yearly basis to check if there has been any delay in our delivery of products and we made reference to the aged inventory analysis and management judgment to determine if any write-down of inventories is required. Write-downs of inventories to net realisable value amounted to HK\$2.4 million, HK\$0.6 million and HK\$1.1 million for FY2019, FY2020 and FY2021, respectively.

QUALITY CONTROL

We believe that stringent quality control is critical to our success and reputation. We have put in place high-standard quality control measures at various stages of our work process, including project planning, procurement of hardware, the associated system and components, and project implementation to ensure the quality of our work adheres to the contractual requirements and customers' specifications.

For our enterprise IT solutions projects, after our ordered products have been delivered to us, we conduct physical checking for every critical component alongside with sample physical checking of other components. Regarding quality control over our projects, a quality assurance standard, which sets out detailed specifications of the deliverables and completion timelines, is set at the beginning of every project. Our project managers are responsible for managing the overall status of the projects, with a primary focus on project risks, deliverables and timeline, against such quality assurance standard. Our project managers are also assisted by our technical team, who is responsible for system inspections and test-running. Throughout the entire project implementation process, regular project meetings are held by the project team to review the project status and to evaluate the outcome of applicability tests of the systems. Our director of the Professional Services Department also directly reaches out to our customers from time to time to collect their feedbacks.

Towards the end of the project implementation phase, a user acceptance testing is prepared by the project team for customers to formally try and accept the developed system.

In projects where subcontractors are engaged, we also take steps to ensure that their work conform with our requirements, specifications and timeline. We monitor the performance of our subcontractors through conducting on-site reviews, and our subcontractors are required to submit progress reports to us on a regularly basis to record and report the work completed by them. Our

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project managers and technical team are also responsible for monitoring the work of our subcontractors and if any quality issue arises, we will actively and closely follow up with our subcontractors.

During the Track Record Period, we were awarded various accreditations and awards in relation to our quality systems. See “Certifications, Awards and Recognition” in this section for further details.

We take pride in the quality of our services and reliability of our solutions and services, and to the best of our Directors’ knowledge, we did not experience any material quality issues or receive any material complaint from our customers about the quality of our solutions or services during the Track Record Period.

SEASONALITY

We generally do not have any significant seasonal trend. Nevertheless, as our professional IT services, being our major business, are provided mainly on project basis and not recurring in nature, our revenue and profit for each year or period will, among others, depend on the number of new contracts we obtained for that year or period and the revenue and profit derived from such contracts. In addition, we historically recorded higher revenue under our enterprise IT solutions business in the second half of a year than the first half mainly due to the procurement cycle of our customers, as our customers tended to invite tender or seek quotation in the first half of a year and the potential contracts for the enterprise IT solutions projects are usually yet to be executed in the first half of the year.

COMPETITION

According to Frost & Sullivan, the IT solutions market in Macau is competitive, with approximately 200 market participants in 2021. The IT solutions market (comprising trading and distribution of IT products and provision of professional IT services) in Macau is relatively concentrated with the top five players contributing to 76.3% of the entire market in terms of revenue. Driven by the rising application of information technology and digitalisation among all industries in Macau, IT solutions market has increased from MOP1,636.6 million in 2016 to MOP1,950.8 million in 2019. The drop in 2020 was due to the slowdown of the economic activities during the COVID-19 outbreak. With rising government expenditure on information and communications technology, public sector has increased from MOP569.1 million in 2016 to MOP613.5 million in 2019. Private sector also shown a growth from MOP1,067.5 million in 2016 to MOP1,337.3 million in 2019. Trading and distribution of IT products took up a larger share of total IT solutions market in Macau and witnessed a growth from MOP883.8 million in 2016 to MOP1,043.7 million in 2019. Stimulated by various drivers, professional IT services including supply and installation, managed services and maintenance also grew from MOP752.8 million in 2016 to MOP907.1 million in 2019. Based on our aggregated revenue of HK\$405.5 million derived from our business in Macau for FY2021, we took up a market share of 25.8% and ranked first in the IT solutions market in Macau in 2021.

Going forward, the IT solutions market in Macau will continue to be driven by the rising investment in digitalisation of enterprises and other favourable factors including the integration of smart technology (such as the use of surveillance cameras, facial recognition technology, digitally enabled poker chips and baccarat tables) into gaming and hospitality sector, increasing popularity of outsourcing of IT solution by enterprises to increase operational efficiency, the development of local telecommunication network which will lead to proliferation of IoT and cloud technologies,

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the advancement and popularisation of data analysis and increased infrastructure requirements for emerging technology adoption as well as supportive governmental policies to build up smart urban management. In particular, with the geographical and economic integrations with the Greater Bay Area, IT solutions providers in Macau will benefit from and are well-placed to tap into the massive market in the Greater Bay Area. On the other hand, IT solution providers will face major challenges including rising labour wages due to the scarcity of local IT professional and increasing competition arising from rapid technological change. Our Directors believe that, with our competitive strengths as set out in “Our Strengths” in this section, we will continue to stand out in the IT solutions market and drive our growth through expanding our project portfolio and establishing our footprint in the Greater Bay Area.

CERTIFICATIONS, AWARDS AND RECOGNITION

The following table sets out the major certifications, awards and recognition received by us in recent years:

Year of issue	Certification/Award/Recognition	Awarding entity
2022	CMMI V2.0 for Development Maturity Level 3	Information Systems Audit and Control Association (ISACA)
2021	Partner of the Year Macau Award FY20	Aruba
	Excellent Technical & Service Partners	China Telecom
	Gold Partner 2021	Huawei
	Partner of the Year Macau Territory	NetApp
	FY22 Platinum Partner	Veritas
2020	2020 Macau Key Partner of the Year	Alibaba Cloud
	Best Country Reseller	Aruba
	Top Distributor of the Year	Aruba
	Top Partner of the Year	Aruba
	Best Performance Partner	H3C
	Macau Outstanding Contribution Partner	Huawei
	Principal Partner 2020	VMWare
2019	Top Distributor of the Year (Hong Kong)	Aruba
	Top Partner of the Year	Aruba
	Excellence Award for Small and Medium Enterprise	Business Awards of Macau
	Best Seller Macau	HPE
	NetApp Partner Award — Best Growth Sales Team	NetApp

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Year of issue	Certification/Award/Recognition	Awarding entity
	Partner of the Year 2019 — Highest Growth (Hong Kong & Macau)	NetApp
	Partner of the Year — Software-Defined Data Centre	VMWare
	Partner of the Year — Solution Provider	VMWare
2018	Top Distributor of the Year (Hong Kong)	Aruba
	Top Reseller of the Year (Hong Kong)	Aruba
	Outstanding Partner	H3C
	Top Performing Aruba Partner	HPE
	The Excellent Partner	Huawei
	Partner Summit (ASEAN/Hong Kong/Taiwan) — Best Strategic Partner	NetApp
	Excellence in Managed Security Services	Palo Alto
	Network Virtualisation Solution — Partner Innovation Award Regional Winner	VMWare
	Partner of the Year — Software-Defined Data Centre	VMWare
2016	Certified Collaboration Support Provider	CheckPoint

PRODUCT DEVELOPMENT

Our market standing and track record in the IT solutions market in Macau are underpinned by our efforts in innovating and evolving our solution offering through renewing and improving the technologies and software application we adopted in our solutions. As at 31 December 2021, we had a team of 30 employees in our product development team and they have extensive relevant industry experience ranging from four to 16 years. We have set up a committee on product development, which is led by Mr. Chao, our chairman, chief executive officer and executive Directors, and comprising five other members, who are our senior management members, to oversee our product development projects and initiatives. During the Track Record Period, we focused on the secondary development and enhancement of systems and applications on the market with a view to improving their functionalities and rolling out integrated, customised solutions that could better address the requirements of our customers. We believe overall efficiency could be achieved in the long run by using such product development efforts in the design and implementation of our solutions as customers no longer need to rely on specific systems and applications offered by third party developers, which can be costly as we have limited control on the cost and pricing, and the need to purchase, optimise and localise multiple systems and applications for integration purpose would reduce.

During the Track Record Period, we undertook research and development work in relation to our managed services and SOC, and they are ongoing as at the Latest Practicable Date. Under such efforts, we have successfully enhanced the systems and application tools which are deployed by us in the provision of managed services, including the provision of detection and response services relating to SOC, managed services relating to the monitoring of network operation, as well as

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managed services relating to helpdesk services. For example, we have developed our own ticket system which is utilised by us in providing the 24/7 managed helpdesk services and it records and keeps all logs of helpdesk tasks and incidents, their status, follow up actions taken and outstanding actions. Customers also have access to this ticket system and they may review and have an overall picture of all helpdesk tasks of their company in a given day or period. Apart from our own ticket system, we have also deployed the use of automation technology in our incident response workflow such that more context information in relation to the reported issue can be automatically retrieved and we are able to respond to and address the incident more efficiently.

In addition, we proactively research into and study the feasibility of developing new solutions or enhancing the features of the system applications in accordance with our anticipated market trends and our understanding of the industry-specific requirements of our customers or potential customers. Currently, we are working on a product development project with an aim to building a big data portal for enterprises in Macau and Nansha, Guangdong. Details of the project are set out below:

Product development project	Commencement year of the project	Project details
Cross-border data exchange portal (粵澳跨境工商企業信息平台建設計劃)	2021	<p>To set up a cross-border data exchange portal for enterprises in Macau and the Greater Bay Area such that they may obtain information and policy updates relevant to their business operation and industry through a centralised location. The cross-border data exchange portal is expected to facilitate the collection and circulation of data and to promote and facilitate cross-border business set-ups and investments, recruitment of talents, and the exchange of data and business policies.</p> <p>Under the existing framework proposal and subject to the finalisation of the required technical specifications and approval by the relevant government department, the portal will contain the following features: (i) a centralised data platform to integrate the corporate and economic data as well as government policies in Macau and Nansha available from information providers and from the Nansha government and will be utilised by the relevant government departments for data exchange and future policy making purpose; (ii) a search engine to access updated policy information and related services of the local government for interested Macau investors in Nansha, in order to facilitate their understanding of the local business registration process and hence, the setting up of their business in Nansha; and (iii) an unified electronic platform for facilitating cross-border enterprise registration and tax filing processing and providing online operational support.</p> <p>As at the Latest Practicable Date and based on the latest discussion with the Nansha government, the consultation phase for this project has been completed; and we are currently conducting feasibility study on the technical details and overall system design of the project. No revenue had been generated from this product development initiative during the Track Record Period and up to the Latest Practicable Date.</p>

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Product development project	Commencement year of the project	Project details
		<p>Under this project, we are the service provider and are responsible for designing, building and maintaining the technical platform to be used as the data exchange portal; and such portal (including the main content relating to Nansha) will be owned and operated by the Nansha government. As advised by our Macau Legal Advisers, given that we are in the capacity of an information processor under this project, we are not subject to any relevant Macau laws and regulations on transfer of personal data; and no specific licence is required to be obtained by us for this development project in Macau. Enterprises that make use of the portal in lodging business registrations, applications and filings are responsible for ensuring compliance with the relevant legal requirements in Macau relating to disclosure of personal data, including obtaining consents from concerned natural persons. As advised by our PRC Legal Advisers, on the basis that we will only act as the service provider for designing, building and maintaining the cross-border data exchange portal, and such portal will be owned and operated by Nansha government, under the current effective PRC laws and regulations, we are not required to obtain any licences that are subject to foreign ownership restrictions in the PRC.</p> <p>Furthermore, considering that (i) the information available on the cross-border data exchange portal will be either publicly available information or information voluntarily provided by enterprises, and is not expected to involve any state secret or personal information; (ii) we will not collect, use, process or store any information or data on the exchange portal; and (iii) the exchange portal will be owned and operated by Nansha government and all information and data will be stored in the PRC, our PRC Legal Advisers are of the view that in this regard, we are not subject to current effective PRC laws and regulations relating to cross-border data transfers in relation to state secrets, cyber and data security data. Our PRC Legal Advisers are also of the view that, based on the current effective PRC laws and regulations, it is unlikely that our Group shall be obliged to proactively apply for cybersecurity review for the Listing under the CAC Measures and the Draft CAC Regulations (if it were adopted in the current form) on the basis that (i) our Group will only act as the technical service provider for designing, building and maintaining of the data exchange portal, and will not involve in any use, storage, collect, process, transmission, provision, public disclosure or deletion of data and other data processing activities with respect to the data exchange portal; (ii) as at the Latest Practicable Date, the data exchange portal had not commenced operation; (iii) the CCRTCC confirmed that the Listing is not required to apply for the cybersecurity review under the CAC measures and the Draft Regulations during the Consultation; and (iv) as at the Latest Practicable Date, each of BoardWare ZH and BoardWare NS had not been identified as a “critical information infrastructure operator” or an “online platform operator” or a “data processor”.</p>

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To enhance our in-house research capability and gain direct access to the resources of external research institutes which could help identify future technological trends and innovate our solution offering with the latest technologies, in February 2021, we entered into a framework cooperation agreement with the University of Macau (UM) to jointly establish a R&D laboratory to research into areas on Smart Cities, use of big data, AI and cloud management services. According to the F&S Report, in July 2018, the University of Macau (UM) received the approval of the Ministry of Science and Technology for the establishment of the nation's first state key laboratory in IoT for smart city. Under this cooperation agreement, the University of Macau (UM) and us will be pulling our respective resources together to collaborate, invest and research in the abovementioned areas and to cultivate expert talents in these areas. Working groups with representatives from the two ends will be set up to facilitate communication and sharing of resources throughout the collaboration term. By integrating our product development experience and the R&D strengths and resources of the University of Macau (UM), the laboratory will provide a platform for technological innovation and industry-academia collaboration, facilitate our future research and development and strengthen our capability in creating and enhancing our IT systems and applications, through which we will actively seek opportunities arising from the government's policies, explore new directions and continue to implement strategies for scientific research, technological innovation and promote economic diversification, smart city and sustainable development of Macau, which in turn will directly drive the demand for IT solutions in coming years. In addition, on 21 June 2022, we entered into a five-year framework agreement with the City University of Macau pursuant to which we agreed to provide cyber security range platform and internship opportunities in our SOC to facilitate academic exchange and cultivate talents.

As at the Latest Practicable Date, we were in active discussion with the University of Macau (UM) to evaluate the research scope and the technologies involved in relation to several projects including the research and development of (i) intelligent vehicle infrastructure cooperative systems; and (ii) IoT property management solutions and smart systems. Apart from the above two projects, we are also exploring other research projects with the University of Macau (UM), one of which involves the use of palm vein recognition technology and, as at the Latest Practicable Date, the Science and Technology Development Fund in Macau granted a subsidy of HK\$0.2 million to us for funding this project. For further details, see "Our Business Strategies" in this section.

Our total expenditure on research and product development (comprising mainly staff cost) amounted to HK\$3.1 million, HK\$5.7 million and HK\$6.0 million, respectively, during the Track Record Period.

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OUR EMPLOYEES AND STAFF TRAINING

As at 31 December 2021, we had a total of 186 full-time employees, and 108, 43 and 35 of our employees were based in Macau, Hong Kong and the PRC, respectively. The table below sets out the breakdown of employees by function as at 31 December 2021, respectively:

Function	Number of employees by location			
	As at 31 December 2021			
	Macau	Hong Kong	The PRC	Total
Management (<i>Note 1</i>)	10	2	—	12
Engineering and technical support (<i>Note 2</i>)	58	19	8	85
Business consultation	7	—	1	8
Procurement	—	6	—	6
Sales	10	11	4	25
Marketing	2	1	—	3
Product development (<i>Note 1</i>)	6	—	18	24
Finance	3	2	1	6
Administration	10	2	2	14
Human resources	2	—	1	3
Total	108	43	35	186

Notes:

- As at 31 December 2021, six members of our management were also involved in product development initiatives.
- As at 31 December 2021, 21 members of our engineering and technical support team were responsible for providing maintenance and ongoing support services.

We recruit our employees mainly through online recruitment platform, recruitment agent and by referral. Education, technical qualification, character, relevant industry experience and adoption to our corporate values are our key recruitment criterion. Our human resources team reviews our recruitment policy from time to time.

We provide tailored trainings for our employees such that they would always stay at the technological forefront of the industry and maintain the service quality of our Group by firmly grasping our customers' needs and the latest changes and developments in the market. We adopt a philosophy of continuous improvement and endeavour to keep our technical professionals abreast of the latest technology developments. The trainings include product training and other on-the-job trainings. We also encouraged our employees to receive ongoing external trainings and obtain industry certifications and accreditations relevant to their field of work by providing subsidies and allowances.

We offer competitive remuneration packages to our employees. Our remuneration package generally comprises basic salary and a discretionary performance-based bonus. We will review and evaluate the performance of our employees periodically and make any salary adjustments and promotions accordingly. We are required under relevant PRC laws and regulations to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. During FY2019 and FY2020, BoardWare ZH did not fully make social insurance and housing provident fund contributions according to PRC Social Insurance Law and the Regulations on the Administration of Housing Provident Fund. For details, see "Compliance and Legal Proceedings — Legal compliance" in this section.

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We consider that our employees are valuable assets of our Group and we have maintained good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant turnover or labour disputes with our employees or any business disruption due to labour disputes. No labour union was established by our employees.

HEALTH AND WORK SAFETY

Due to our business nature, we are not subject to significant health and occupational safety risks. To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, (i) we did not experience any accident in our operations that would have a material impact on our business or results of operations; (ii) there had been no material violation of any health and work safety laws and regulations applicable to our operations; and (iii) there had been no claim or penalty imposed on our Group as a result of violation of health and work safety laws and regulations. We have put in place a staff manual that sets down the safety policies and procedures to ensure that our operations are in compliance with applicable work safety laws, regulations and requirements. Our human resources team is responsible for recording and keeping track of any workplace injuries and following up with relating insurance claims to protect our employees and us.

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, we had not encountered any material claims or complaints from our employees, customers or the public in respect of health or work safety issues relating to our business operations. For further details regarding our employment policies, see "Our Employees and Staff Training" in this section.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

During the Track Record Period, due to the nature of our business and that we do not operate in a highly-polluting industry, we did not incur material costs in relation to the compliance of relevant environmental laws and regulations. During the course of our provision of services, as we operate in the IT solutions market, our businesses do not have a material impact on the environment. However, our Group has generated pollutant through indirect emissions from the consumption of electricity and paper consumption. To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, there was no administrative sanctions, penalties or punishment imposed upon us for the violation of environment laws and regulations which had materially and adversely affected our operations.

Nevertheless, we consider the protection of the environment to be important. We are committed to complying with all applicable environmental laws and regulations in our business operations, and endeavour to mitigate any negative effects of our operations on the environment. Under our environmental, social and governance ("ESG") policies, we proactively identify any major environmental and social sustainability risks related to our business, and formulate policies on emissions, use of energy, climate change, employees' welfare and safety and data protection. We are committed to minimise the environmental impact of our business through adopting green procurement practices and publicising environmental protection messages to our staff. We have set up metrics and targets for environmental and health and safety management, to review major environmental and social sustainability risk performance on a regular basis. For example, we have adopted comprehensive measures to promote effective use of resources and will set targets for

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reduction of greenhouse gas emission and resources consumption. We also endeavour to embed an environmental-friendly mindset among our employees through bulletin boards, company newsletter and office memos.

We do not expect to incur environmental liabilities that could have any material impact on our financial condition or business operations upon Listing. Our Group will comply with the ESG reporting requirements after Listing and the responsibility to publish ESG report on an annual basis in accordance with Appendix 27 to the Listing Rules. We will focus on each of the areas as specified in Appendix 27 to the Listing Rules, particularly those environmental and social issues that could have a material impact on the sustainability of our operations and that are of interest to our Shareholders. In addition to the above, we also plan to launch various initiatives to promote eco-friendly practices such as reduction in energy and resources consumption at our workplace and roll out more initiatives and awareness trainings for our employees in the future.

Our Board has the overall responsibility for evaluating and determining our ESG-related risks including climate-related risks and establishing, adopting and reviewing our ESG vision, policy and target. Our Directors have the responsibility to ensure that the ESG policies established are duly implemented and comply with the latest standards. We intend to establish an ESG management sub-committee of the Board upon Listing, which will consist of Mr. Chao, Ms. Lei Sok Han and Mr. Ng Hong Kei to support the Board in formulating and implementing the ESG policies and overseeing relevant disclosure. Ms. Lei Sok Han will be appointed as the chairman of the ESG management sub-committee. Our ESG management sub-committee serves a supportive role to our Board in implementing the agreed ESG policy, targets and strategies, conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how we adapts our business in light of climate change, collecting ESG data from different parties while preparing for the ESG report, and continuous monitoring of the implementation of measures to address our ESG-related risks and responsibilities. Our ESG management sub-committee is also responsible for the investigation of deviation from targets and liaising with the responsible department to take prompt rectification actions. Our ESG management sub-committee reports to our Board on an annual basis via board meeting on our ESG performance and the effectiveness of these ESG systems. We also intend to set up an ESG team to coordinate and manage general ESG affairs, which will be comprised of personnel from departments such as human resources, administration and procurement. The ESG team will be responsible for guiding the development of ESG-related matters, communicating with stakeholders and assessing ESG related risks, including climate-related risks and opportunities.

Measures to identify, assess and manage ESG related risks

Under our ESG policies, we intend to adopt various strategies and measures to identify, assess and manage ESG risks, including but not limited to:

- reviewing and assessing ESG reports of similar companies in the IT industry to ensure relevant ESG related risks are identified on a timely basis;
- making reference to the local and international guidelines such as Sustainability Accounting Standards Boards for the industry-specific ESG risks;
- discussing with management from time to time to ensure material ESG related issues are addressed and reported;

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- establishing communication channels and discussing with key stakeholders on an ongoing basis to understand ESG related concerns and monitor how our environmental, social and climate-related performance has impacted key stakeholders; and
- engaging professional advisers to advise on compliance with ESG matters.

Through the above, we have identified the following material ESG issues relating to our Group and their potential impacts on our business, strategy and financial performance:

<u>Material ESG issues</u>	<u>Potential Risks, Opportunities and Impacts</u>	<u>Mitigating Actions</u>
Resources and energy management	Ineffective resources and energy management may potentially lead to excessive energy usage, which leads to increased operational cost	Promoting energy conservation and environmentally friendly procurement practices Reviewing and accounting for greenhouse gas emissions and resource consumptions Performing overall waste management in the office and warehouse
Opportunities for clean technology	Selecting clean technology such as energy efficiency equipment in our business operations may reduce long terms costs	Identifying and applying feasible clean technology in the business operations
Impact of climate change	Climate change may lead to risks of more frequent extreme weather conditions. Such risks may lead to potential injuries to employees and increase in insurance premiums in long term Regulators may require increasing disclosure on emission and tighten environmental regulations. Such transitional risks which require us to move towards a sustainable business model may potentially lead to impacts such as increased operational cost from change of operational practices	Providing work arrangements for bad weather and/or extreme conditions to mitigate potential injuries to employees and increase in insurance premiums Monitoring the changes in ESG-related regulatory requirements and market trend Assessing the energy consumption proportion in our operation comprehensively and optimising the corresponding procedures

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Material ESG issues	Potential Risks, Opportunities and Impacts	Mitigating Actions
Human capital development	Insufficient resources devoted towards the development of human capital, such as lack of training and promotion opportunities, may put our Group at risk of higher turnover rates and less competent workforce in medium and long term. Strong human capital development and the provision of competitive remuneration packages may improve employee retention and dedication	Providing employees with competitive social benefits and career development opportunities
Privacy and data security	Ineffective privacy and data protection policies may put our Group at risk of data leakages and privacy breaches, leading to increased costs in addressing regulatory actions, involving litigations and potential fines, and also potentially tarnishing our reputation	Requiring employees to sign non-disclosure agreement to mitigate privacy and data security risks

Metric and Targets on Environmental, Social and Climate-related Risks

During the Track Record Period, we have assessed our environmental performance by understanding the environmental footprint. Our business primarily operates in office and the most significant resource consumption is the use of electricity and paper consumption. During the Track Record Period, our Group's expenses in relation to ESG matters material to our Group primarily comprised electricity expenses, which amounted to HK\$350,335, HK\$328,107 and HK\$360,263, respectively. The use of electricity accounted for the largest proportion of the greenhouse gas ("GHG") emission. The summary of our key environmental performance is presented below.

Resource Consumption	Unit	As at 31 December		
		2019	2020	2021
Energy Consumption	MWh	260.31	261.78	281.81
<i>(Note 1)</i>				
Energy Consumption Intensity	MWh per HK\$'000 revenue	0.52	0.55	0.53
Paper Consumption	tonnes	1.93	2.51	2.68
Paper Consumption Intensity	tonnes per HK\$'000 revenue	0.0038	0.0053	0.0050

GHG Emission	Unit	As at 31 December		
		2019	2020	2021
Total GHG Emission	Tonnes CO ₂ e	190.56	186.54	199.47
Scope 1 Emission	Tonnes CO ₂ e	—	—	—
<i>(Note 2)</i>				
Scope 2 Emission	Tonnes CO ₂ e	190.56	186.54	199.47
<i>(Note 3)</i>				
Total GHG Emission Intensity	Tonnes CO ₂ e per HK\$'000 revenue	0.38	0.39	0.37

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Notes:

- (1) Includes electricity consumption in the offices of Hong Kong, Macau and Zhuhai. The energy consumption data of the Macau office are obtained by multiplying the average monthly consumption figure of the respective year by the number of months within the scope of that year.
- (2) There is no stationary or mobile fuel consumption of the Group. Refrigerant usage has been replaced by the service providers which the consumption is not available during the Track Record Period. To enhance the estimation of the GHG emission, we will liaise with the service providers to maintain the record for disclosure after Listing.
- (3) Scope 2 represents indirect GHG emissions generated by the use of purchased electricity from local power companies in Zhuhai, Macau and Hong Kong. The calculation has made reference to the emission factors listed in CLP Sustainability Report 2018-20, CEM Sustainability Report 2018-20, and the 2017 and 2019 Annual Emission Reduction Projects China Regional Power Grid Baseline Emission Factors.

After identifying and evaluating the emission and consumption trend, we will develop the reduction targets and formulate feasible action plans to enhance our performance after Listing.

INSURANCE

As at the Latest Practicable Date, we maintained customary insurance policies within our industry, including (i) general liability insurance; (ii) employees' compensation insurance; (iii) property all risks insurance policy for our offices; (iv) general medical and/or work related insurance for our employees; (v) contractor all risk insurance and (vi) IT insurance for the IT services and products we provide. We also maintain (i) group health and employees' compensation insurance policies for our employees in Macau; (ii) social insurance policies for our employees in the PRC; and (iii) medical and employees' compensation insurance policies for our employees in Hong Kong.

Our Directors consider that the above insurance plans and the amounts insured are sufficient and adequate to cover the operational risks and uncertainties and protect us from any potential loss or damage and are consistent with the customary industry norm based on their knowledge of the industry practice and their experience in operating our business.

During the Track Record Period and up to the Latest Practicable Date, we had not made or been the subject of any material insurance claims.

For the risks associated with the insurance of our Group, see "Risk Factors — Our insurance coverage may be inadequate to cover the risks related to our business and operations" in this prospectus.

OUR PROPERTIES

Property owned by us

The table below sets out the details of our owned property as at the Latest Practicable Date:

<u>Address</u>	<u>Approximate gross floor area</u>	<u>Usage</u>
Room 1605, Office Building, China Huarong Mansion, No. 9 Xing'ao Road, Hengqin New District, Zhuhai	153.89 sq.m.	Office

BUSINESS

Properties leased by us

As at the Latest Practicable Date, we leased a total of 16 properties in Macau, Hong Kong and the PRC for the operation of our business. The landlords of our leased properties are Independent Third Parties.

The table below sets out the details of our leased properties as at the Latest Practicable Date:

	Address	Lease term	Approximate gross floor area	Usage
Macau				
1.	Avenida do General Castelo Branco no.33, 5th Floor, Flat G, Macau	23 March 2019 to 22 March 2021; 23 March 2021 to 22 March 2022; 23 March 2022 to 22 March 2024	79.55 sq. m.	Staff accommodation
2.	Avenida Sir Anders Ljungstedt no. 316-362, Rua Cidade De Santarém no. 396-506, Rua Francisco H. Fernandes no. 3-113, Alameda Dr. Carlos D' Assumpção no. 335-341, Building "HOT LINE", 15th Floor, Flat Q, Macau	1 December 2018 to 30 November 2020; 1 December 2020 to 31 July 2022 (<i>Note 1</i>)	39.39 sq. m.	Office
3.	Avenida Sir Anders Ljungstedt no. 316-362, Rua Cidade De Santarém no. 396-506, Rua Francisco H. Fernandes no. 3-113, Alameda Dr. Carlos D' Assumpção no. 315-363, Building "HOT LINE", 15th Floor, Flat I, Macau	15 March 2019 to 14 March 2021; 1 June 2021 to 31 May 2023 (<i>Note 2</i>)	77.63 sq. m.	Office
4.	Avenida Sir Anders Ljungstedt no. 316-362, Rua Cidade De Santarém no. 396-506, Rua Francisco H. Fernandes no. 3-113, Alameda Dr. Carlos D' Assumpção no. 315-363, Building "HOT LINE", 15th Floor, Flat J, K, L, M, N, O, P, Macau	1 August 2019 to 7 July 2022 (<i>Note 1</i>)	77.63 sq. m. 77.63 sq. m. 77.63 sq. m. 105.29 sq. m. 39.39 sq. m. 39.39 sq. m. 39.39 sq. m. 39.39 sq. m.	Office
5.	Avenida Sir Anders Ljungstedt no. 316-362, Rua Cidade De Santarém no. 396-506, Rua Francisco H. Fernandes no. 3-113, Alameda Dr. Carlos D' Assumpção no. 335-341, Building "HOT LINE", 15th Floor, Flat X, Macau	7 August 2019 to 6 August 2021; 7 August 2021 to 6 August 2023	77.63 sq. m.	Office
6.	Jardim Dragão Precioso Building, Golden Dragon Building, 24th Floor, Flat G, Taipa, Macau	1 March 2019 to 28 February 2021; 1 March 2021 to 28 February 2022; 1 March 2022 to 29 February 2024	65.72 sq. m.	Staff accommodation
7.	Rua Dois da Cidade Nova de T'oi Sán, Jardim Cidade Building, Block IV, 18th Floor, Flat A	1 March 2020 to 28 February 2022; 1 March 2022 to 29 February 2024	46.70 sq. m.	Staff accommodation

BUSINESS

	Address	Lease term	Approximate gross floor area	Usage
8.	Avenida Sir Anders Ljungstedt no. 316-362, Rua Cidade De Santarém no. 396-506, Rua Francisco H. Fernandes no. 3-113, Alameda Dr. Carlos D' Assumpção no. 335-341, Building "HOT LINE", Macau, Carpark no. 58.	From 5 January 2021	12.0 sq. m.	Car park
9.	Avenida Sir Anders Ljungstedt no. 316-362, Rua Cidade De Santarém no. 396-506, Rua Francisco H. Fernandes no. 3-113, Alameda Dr. Carlos D' Assumpção no. 335-341, Building "HOT LINE", Macau, Carpark no. 57.	From 1 August 2016	12.0 sq. m.	Car park

Hong Kong

10.	Office E, 8th Floor, MG Tower, No. 133 Hoi Bun Road, Kowloon, Hong Kong	15 April 2019 to 14 April 2022; 15 April 2022 to 14 April 2024	2,455 sq. ft	Office
11.	Unit 1201 & 1202, 12th Floor of Tower I, Enterprise Square, No. 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	13 January 2020 to 12 January 2023	6,095 sq. ft	Office

PRC

12.	No. K30, Unit 302A, No. 136, Tianhe Middle Road, Tianhe District, Guangzhou	12 April 2021 to 30 April 2023	5 sq.m.	Office
13.	Room 04-09, 17/F, South Tower, 1st Building, Hengqin International Commerce Centre Project, No. 3000 East Huandao Road, Hengqin New District, Zhuhai	1 April 2021 to 31 March 2024	723.49 sq.m.	Office
14.	Room 16-19, 17/F, South Tower, 1st Building, Hengqin International Commerce Centre Project, No. 3000 East Huandao Road, Hengqin New District, Zhuhai	15 April 2021 to 14 April 2024	412.54 sq.m.	Office
15.	Room 1602, 16/F, No. 31 Building (B), Caihui Centre, No. 1 Cuilou Street, Nansha District, Guangzhou.	1 March 2021 to 31 December 2023	381 sq.m.	Office
16.	No. A6001, Unit 302, No. 134 Jiaoxi Road, Nansha District, Guangzhou	1 May 2022 to 31 July 2022	85.5 sq.m.	Office

Notes:

1. We have commenced discussion with the respective landlord on the renewal of the lease as at the Latest Practicable Date.
2. During the period from 15 March 2021 to 31 May 2021, our Group was in discussion with the landlord on the renewal of the lease; and we were allowed by the landlord to use this leased property at an agreed monthly rental during this period.

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The lease agreements for our leased properties may be terminated by one month's to three months' notice. During the Track Record Period, we did not experience any difficulty in renewing our leases. Save for property no. 15 above which is rent-free pursuant to the tenancy agreement with the Bureau of Commerce of Guangzhou Nansha Economic and Technological Development Zone, our Directors confirm that all of our current leases were negotiated on an arm's length basis with reference to the prevailing market rates. Our current lease liabilities amounted to HK\$5.2 million, HK\$6.2 million and HK\$6.1 million, respectively, during the Track Record Period.

As at 31 December 2021, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets. Accordingly, pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which require a valuation report with respect to all of our Group's interests in land or buildings.

INTELLECTUAL PROPERTY

To protect our intellectual property, we have registered or made applications to register our patents, copyrights, trademarks and domain names in different jurisdictions. For further details relating to our intellectual property rights, see "Statutory and General Information — B. Further Information about our Business — 2. Intellectual property rights" in Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claim against our Group for infringement of any intellectual property right, nor were we aware of any pending or threatened claims in relation to any such infringement; and no material claim had been made by us against third parties in relation to the infringement of intellectual property rights owned by us.

COMPLIANCE AND LEGAL PROCEEDINGS

Licences and permits

To the best of our knowledge after making all reasonable enquiries, (i) during the Track Record Period and up to the Latest Practicable Date, we had obtained all material licences, permits and approvals necessary for our business operations in the jurisdictions in which we carried on our business; and (ii) as at the Latest Practicable Date, such licences, permits and approvals are valid and remain in effect and had not been revoked, cancelled or otherwise expired; and (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been materially penalised by national or local authorities for violations of the terms or conditions of such licences, permits or approvals.

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The following table sets forth a list of licences, permits and approvals that are necessary for our business operations:

No.	Jurisdiction	Holder of licence/permit	Licence/permit	Issuing authority	Date of issue	Date of expiry
1.	Macau	BoardWare Macau	Licence (no.1/2018) for services provision of database access and retrieval, web hosting, application hosting and database hosting	Macau Post	31 January 2018	30 January 2023
2.	Hong Kong . . .	Synergy CCL	Licence for Import and Export of Strategic Commodities	The government of the Hong Kong Special Administrative Region	30 May 2022	29 August 2022 (<i>Note</i>)
3.	The PRC	BoardWare ZH	Business Licence	Guangdong-Macao In-Depth Cooperation Zone Commercial Services Bureau in Hengqin	6 June 2022	N/A
4.	The PRC	BoardWare NS	Business Licence	Guangzhou Nansha Economic and Technological Development Zone Administrative Approval Bureau	10 December 2021	N/A
5.	The PRC	BoardWare ZH	Certificate for Qualification of Information Security Service Provider	China Cybersecurity Review Technology and Certification Centre	16 December 2021	15 December 2024

Note: We will apply for renewal of this licence before its expiry. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in applying for the renewal of this licence and on this basis, our Directors are of the view that there will not be material legal impediment in renewing this licence upon its expiry.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in obtaining or applying for renewal of all necessary licences, permits and approvals. We do not expect any material impediment in renewing our material licences, permits and approvals as they expire in the future.

Legal compliance

Save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our business operations had complied with all applicable laws, rules and regulations in Macau, Hong Kong and the PRC (being the principal jurisdictions where we operate) in material aspects.

A summary of the historical non-compliance incidents of our Group during the Track Record Period is set out below:

Details of the historical non-compliance	Reasons for the non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken and current status	Internal control measures
<p>1. Late tax filing for the financial years ended 31 December 2011, 2013, 2014, 2015, 2016, FY2017, FY2018 and FY2019 in respect of BoardWare Macau.</p>	<p>Such historical non-compliance occurred as and when the accounting procedures (on which the required financial information in the tax return was based) for the relevant financial year were still ongoing or otherwise yet to be completed at the time when the tax return for the respective financial year was due. In particular, for the tax filings with respect to FY2017, FY2018 and FY2019, as we were exploring the feasibility of applying for listing on the Stock Exchange in 2018 and decided to prepare the consolidated accounts under IFRS and enhanced our internal accounting system in the same year, given the complexity and volume of work involved and the insufficient experience and subsequent departure of the then accounting staff, BoardWare Macau incurred substantial time for preparing the financial statements for FY2018 to FY2020 and BoardWare Macau was only able to file the tax returns for FY2017 to FY2020 altogether as soon as its financial information for the Track Record Period (which was used for preparing the historical financial information of our Group for the same periods) was ready in April 2021.</p>	<p>Article 64 and Article 68 of the Complementary Income Tax Regulation (“CITR”) provide that an administrative fine from MOP100 to MOP10,000 will be imposed for late tax filing or filing incorrect tax return. 50% of the fine will be waived if the taxpayers voluntarily report their tax or correct their errors.</p> <p>As advised by our Macau Legal Advisers, BoardWare Macau is subject to a total maximum fine of MOP10,000 in respect of each of the late tax filings for the relevant financial years.</p>	<p>For the late tax filings with respect to the financial years ended 31 December 2011, 2013, 2014, 2015 and 2016, BoardWare Macau had filed the respective tax return after the statutory deadline when the relevant accounting records were ready and had settled the tax payments as required by MFSB pursuant to the notices of assessment and demand notices for settlement of tax payment received from MFSB.</p> <p>For the late tax filings with respect to FY2017, FY2018 and FY2019, shortly after the finalisation of the historical financial information of our Group (comprising BoardWare Macau) for FY2017, FY2018, FY2019 and FY2020, on 14 April 2021, BoardWare Macau rectified the non-compliance by taking the initiative to submit the outstanding tax returns to MFSB for the relevant financial years.</p>	<p>Our Group has formulated and adopted an internal control manual which includes the procedures for tax filing and recording to prevent recurrence of non-compliance incidents. See “Internal control measures with respect to the historical non-compliance” in this section for details. In addition, on 8 September 2021, a training was arranged by the Macau Legal Advisers for the executive Directors and the existing accounting staff responsible for tax-related matters on tax filing obligations.</p>
<p>The above non-compliance was primarily attributed to (i) the inadequate understanding of the relevant regulatory requirement by the accounting staff who also failed to advise the senior management with respect to the nature of the late tax filing; (ii) the mistaken belief or misconception of the then senior management that late tax filing was only procedural in nature and the key legal obligation on part of BoardWare Macau from tax compliance perspective was to settle its tax payments as they fall due; and that BoardWare Macau should have materially discharged its tax related obligation upon settlement of tax payments as required by the Macau Financial Services Bureau (the “MFSB”); (iii) the lack of technical knowledge on the tax filing work of the then senior management of BoardWare Macau to closely supervise the work of the accounting staff as they committed most of their time to the daily operations and management of BoardWare Macau and they were not trained in legal or accounting discipline or were made aware of the significance of financial reporting procedures which were critical to ensuring that the tax filing could be made on time; and (iv) the lack of proper system and control to keep track of our tax compliance status. As a result, the then senior management of BoardWare Macau overlooked the tax issue and failed to deploy sufficient manpower to accounting work and keep track on the status of the relevant accounting procedures in order to meet the statutory deadlines of tax filing and seek proper tax advice to timely and properly rectify the non-compliance at the material time.</p>	<p>Based on the filed tax returns and the applicable tax rate, the amount of complementary tax to be payable by BoardWare Macau for FY2018 and FY2019 are estimated to be MOP1.1 million and MOP3.0 million, respectively. Tax provisions in the amount of MOP1.1 million and MOP3.0 million (equivalent to HK\$1.1 million and HK\$2.9 million, respectively) have been made for the relevant financial years, respectively. As at the Latest Practicable Date, MFSB had issued demand notices to BoardWare Macau for payment of complementary tax for FY2017, FY2018, FY2019 and FY2020, and BoardWare Macau had fully settled such tax payments as required by MFSB.</p>	<p>As at the Latest Practicable Date, MFSB had imposed fines on BoardWare Macau for late tax filing in respect of the financial years ended 31 December 2015 (MOP3,000), 2017 (MOP5,000) and 2018 (MOP6,000) in July 2018, June 2020 and November 2021, respectively, and BoardWare Macau had fully settled the fines in July 2018, June 2020 and November 2021, respectively.</p>	<p>Save for the above, up to the Latest Practicable Date, MFSB had not imposed any other fine on BoardWare Macau in relation to the late tax filing for the relevant financial years. In the case if a fine is imposed by MFSB on BoardWare Macau for the late filing, such amount of fine will be fully settled by BoardWare Macau.</p>	<p>As advised by our Macau Legal Advisers, upon settlement of all fines (if any), it is very unlikely for BoardWare Macau or our Directors to be prosecuted for the late tax filing.</p>
<p>Having considered the opinion of our Macau Legal Advisers, our Directors are of the view that the non-compliance incident would have no material adverse impact on our Group’s operation or financial position.</p>				

Details of the historical non-compliance	Reasons for the non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken and current status	Internal control measures
<p>2. During FY2018, FY2019 and FY2020, BoardWare ZH did not fully make social insurance and housing provident fund contributions according to the PRC Social Insurance Law (中華人民共和國社會保險法) and the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例). In particular, BoardWare ZH made the social insurance payment calculated with reference to the minimum wage instead of actual salary of its employees in the PRC; and no housing provident fund account was opened by BoardWare ZH before April 2021.</p>	<p>The non-compliances were due to inadvertent oversight and inadequate understanding of the relevant regulatory requirements of our administrative staff</p>	<p>With respect to the failure of fully paying the social insurance contributions in accordance with the PRC Social Insurance Law, the relevant government authority may demand BoardWare ZH to pay all outstanding social insurance contributions within a prescribed time limit, together with a 0.05% daily surcharge of such outstanding amount, accruing from the due date. If BoardWare ZH fails to make such payment within the specific period, the relevant government authority may impose an additional fine of one to three times of the outstanding amount.</p> <p>With respect to the failure of fully paying the housing provident fund contributions in accordance with the Regulations on the Administration of Housing Provident Fund, the relevant government authority has the power to order BoardWare ZH to pay the outstanding housing provident fund within a prescribed time limit, and if BoardWare ZH fails to make the supplementary payment with the specific period, an application of compulsory enforcement can be made to the People's Court of the PRC.</p>	<p>On 1 April 2021, we obtained a written confirmation from Zhuhai Hengqin New District Comprehensive Law Enforcement Bureau (珠海橫琴新區綜合執法局) confirming that during the period from 1 March 2018 to 28 February 2021, BoardWare ZH was in compliance with relevant labour security laws and regulations, and no violation of labour security laws of BoardWare ZH was found within the jurisdiction of Hengqin. On 16 April 2021, 26 November 2021, 30 November 2021 and 17 March 2022, BoardWare ZH obtained a social insurance payment form from Zhuhai Social Insurance Fund Management Center Hengqin Office (珠海市社會保險基金管理中心橫琴辦事處) respectively confirming that during the period from April 2020 to February 2022, the relevant social insurance fees of BoardWare ZH had been fully paid. On 9 June 2021, 4 August 2021, 29 November 2021 and 15 March 2022, BoardWare ZH obtained a compliance certificate from Zhuhai Housing Provident Fund Management Centre (珠海市住房公積金管理中心) respectively confirming that during the period from 1 April 2020 to 28 February 2022, there was no administrative penalty record of BoardWare ZH.</p> <p>As at 31 December 2021, we had completed the registration and opening of the housing provident fund account, and had made payments in the aggregate amount of RMB298,164 (equivalent to HK\$357,796) for settlement of the social insurance and housing provident fund as required by local governmental authorities.</p> <p>As at the Latest Practicable Date, our Group had not received any orders or demands from the relevant government authorities requesting our Group to pay the unpaid social insurance and housing provident fund amounts and was not subject to any investigation or penalty for failure to make full contribution of social insurance and housing provident fund.</p> <p>In the event where we are ordered by the relevant government authorities to rectify and make up the outstanding social insurance contributions and the outstanding housing provident fund within a prescribed time, we will rectify and make up such shortfall within the prescribed time.</p> <p>Based on the above, our PRC Legal Advisers are of the view that the risk that BoardWare ZH would be subject to material administrative penalties by relevant government authorities for failure to fully make social insurance contributions and housing provident fund is low.</p> <p>We have made provisions of RMB337,664 (equivalent to HK\$405,197) in respect of the unpaid amount of social insurance contributions and housing provident fund as at 31 December 2020 and no further provisions had been made for FY2021.</p>	<p>We have implemented internal measures to prevent future non-compliance. See "Internal control measures with respect to the historical non-compliance" in this section for details.</p>

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Indemnity by our Controlling Shareholders

Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to indemnify our Group against any losses, liabilities or damages suffered by or falling on our Group in respect of and to the extent arising from or relation to the above non-compliance incidents. Please see “E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus for further details.

Internal control measures with respect to the historical non-compliance

We believe that the non-compliance incidents are not crucial to our operation and would not materially affect our business and results of operations and our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system to prevent future recurrence of the non-compliance incidents.

We have in place a set of internal control and risk management procedures to address various potential operational, financial and legal risks identified in relation to our operations. In particular, in order to prevent recurrence of the non-compliance incidents: -

- (i) our finance department, which is responsible for tax filing and computation, will ensure the timeliness and completeness of auditing as well as tax filing processes of all entities in our Group and record any tax provision. Before the filing of any tax return, it will be duly reviewed and approved by our financial controller, Mr. Tsang Tik Man;
- (ii) our finance department had adopted measures to ensure the correctness of the amounts of contributions to be made to social insurance and housing provident fund for each employee in the PRC before the payment due date in accordance with relevant PRC laws and rules and will arrange for payment before the due date. A register of payment of records has also been created;
- (iii) we have increased the staffing with appropriate qualification and experience for handling tax-related matters and our management team will ensure our finance department is equipped with personnel having sufficient experience and knowledge on tax issue, tax filing and social insurance and housing provident fund contribution, to facilitate the efficiency of the handling of tax computation, tax return and the making of relevant contributions. As at the Latest Practicable Date, we had one staff in Macau, who is a certified public accountant in Australia with six years’ relevant working experience in the accounting field in Macau; and two staff (one of which is our Company Secretary, and both are certified public accountants with over nine years’ working experience in professional auditing and accounting in Hong Kong) in Hong Kong, responsible for tax filing and computation in Macau and in Hong Kong, respectively. We have also engaged an accounting firm, being certified public accountants in the PRC, to handle tax issues and tax filing for us in the PRC. Our Company Secretary is responsible for overseeing the tax filings of our Group as a whole;
- (iv) our finance department will regularly report to our audit committee on our compliance with tax laws and regulations;

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- (v) our finance department will carry out procedures to review and double-check on a monthly basis with a view to ensuring that the register of payment records is updated properly and that all payments of contributions to the social insurance and housing provident fund for each employee in the PRC are made on a timely basis;
- (vi) we will arrange ongoing training to increase the awareness of tax-related regulatory requirement and timeliness of finalising the financial statements within the prescribed deadlines;
- (vii) our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations; and
- (viii) auditors will be engaged to ensure that our results give a true and fair view of the state of affairs of our Group.

Directors' and the Sole Sponsor's view

After due consideration, our Directors are of the view, and the Sole Sponsor concurs, that the various internal control measures adopted by our Group are adequate and effective to avoid recurrence of the non-compliance incidents set out in this sub-section.

Our Directors and the Sole Sponsor consider that the abovementioned non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules. In arriving at their view, our Directors and the Sole Sponsor have taken into consideration the followings:

- (i) the non-compliance incidents were unintentional and principally due to inadvertent oversight and insufficient knowledge of the relevant legal requirement of our Group's relevant staff at the material times;
- (ii) our Directors have taken actions to ratify the non-compliance incidents to the extent practicable and strengthen our internal control system to prevent recurrence of the non-compliance incident immediately after being informed of the non-compliance; and
- (iii) other than the non-compliance incidents, our Group had materially complied with other relevant laws and regulations during the Track Record Period.

As the non-compliance incidents did not and will not have any significant financial and operational impact on our Group, our Directors are of the view, and the Sole Sponsor concurs, that the non-compliance incidents do not affect our suitability for listing under Rule 8.04 of the Listing Rules.

Legal proceedings

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge after making all reasonable enquiries, there was no litigation, arbitration or administrative proceedings or claims pending or threatened against us or any of our Directors which would have a material adverse effect on our financial condition, results of operations or reputation.

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INTERNAL CONTROL

Our Board is responsible for ensuring that our Company maintains sound and effective internal controls to safeguard our Shareholders' investment and our Group's assets at all times. We believe that our internal control systems and procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. The following are some of the key internal control measures we have adopted:

- we have adopted and implemented comprehensive internal control policies in respect of various aspects of our business operations, including (i) anti-bribery policies; (ii) conflict of interest guidelines; and (iii) disclosures guidelines; and our employees are required to duly observe such policies;
- we have strict approval hierarchy with respect to the internal approval for signing contracts, issuing of cheques, grant of credit terms and material expenditures;
- our Directors and senior management have attended trainings conducted by our Company's legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO, the Listing Rules and other relevant laws and regulations. We will continue to arrange various trainings to be provided to our Directors, senior management and employees from time to time to update their knowledge on the legal and regulatory requirements applicable to the business operations of our Group;
- induction training will be arranged for any newly appointed Directors or company secretary so as to familiarise themselves with the relevant regulatory requirements in relation to directors' responsibilities and duties under the relevant laws and regulations;
- all management and staff of our Group will be required to report to and/or notify our Directors promptly of any non-compliance or potential non-compliance events;
- we have appointed China Tonghai Capital Limited as our compliance adviser for a term as required under the Listing Rules to advise on compliance matters; and
- we have established an audit committee responsible for overseeing our financial records, audit process, internal control procedures, risk management systems, monitoring our Group's exposure to risks and the implementation of related internal control policies. See "Directors and Senior Management" in this prospectus for further details of the responsibilities of our audit committee as well as the qualifications and experience of its members.

Internal control review

In preparation of the Listing, we have engaged an independent internal control consultant (the "**IC Consultant**") from 30 November 2020 to 22 January 2021 to review our internal control systems and procedures and to provide recommendations on findings identified so as to assist our Group in improving its internal control, risk management systems and corporate governance.

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Based on the review approach and work procedures of the IC Consultant, the IC Consultant has identified, apart from certain deficiencies which related to the historical non-compliances as mentioned above, other key findings mainly include (i) the lack of formal written policies and procedures in relation to our internal reporting, management and daily operations, and staff performance and evaluation; and (ii) the failure to establish business continuity or disaster recovery plan in relation to information system management, and has made recommendations for our Group to establish the relevant written policies, procedures and plan in order to address these findings.

After the first review, we had established a set of policies and procedures and implemented the measures to improve our internal control systems with reference to the recommendations of the IC Consultant. From 1 February 2021 to 19 February 2021, the IC Consultant has performed a follow-up review on our enhanced internal control system, and according to such review, internal control measures have been adopted and implemented in accordance with the recommendations of the IC Consultant and there was no further material finding identified.

Risk management

Our audit committee is responsible for formulating and implementing our risk management policies and monitoring our Group's exposure to risks. We integrate risk management into our daily decision-making processes as well as the planning processes of our different department. Regular reviews will be performed by our audit committee on the effectiveness of our risk management strategies.

We do not adopt any hedging policy. For details regarding the risks involved in our operations, see "Risk Factors" in this prospectus.